ASX Announcement

G8 Education Limited
(ASX:GEM)

5 May 2014

Establishment of Multicurrency Debt Issuance Programme

Overview

Listed Queensland based childcare and education centre operator, G8 Education Limited is pleased to announce that it has on 2 May 2014 established a Multicurrency Debt Issuance Programme (the "**Programme**"). G8 Education Limited has appointed DBS Bank Limited as the sole arranger and dealer for the Programme.

The Programme enables G8 Education Limited to issue both unsecured medium term notes (the "**Notes**") and perpetual securities (the "**Perpetual Securities**") in series or tranches over time up to the Programme limit of S$500 million.

Notes issued under the Programme will be classified as debt for accounting purposes.

Perpetual Securities issued under the Programme will be classified as equity for accounting purposes.

Information Memorandum in Relation to the Programme

The terms and conditions of the Notes and Perpetual Securities are set out in the attached Information Memorandum dated 3 May 2014 relating to the Programme, as may be modified by the applicable pricing supplement upon the issue of the Notes or Perpetual Securities.

Overview of the Debt Issuance Programme

Under the Programme, G8 Education Limited can issue Notes or Perpetual Securities denominated in any currency agreed between G8 Education Limited and any dealer. Notes may be issued by G8 Education Limited in various amounts and tenors, and may bear fixed, floating, variable or hybrid rates of interest. Perpetual Securities, may be issued by G8 Education Limited in various amounts, may bear fixed or floating rates of distribution, and have no fixed maturity.

The sums payable in respect of the Notes or Perpetual Securities are unconditionally and irrevocably guaranteed by the subsidiaries of G8 Education Limited as guarantors. G8 Education Limited may, from time to time change the entities which are guarantors under the Programme provided that the consolidated total assets of G8 Education Limited and the guarantors, taken as a whole, is at all times no less than 90% of the consolidated total assets of G8 Education Limited and its subsidiaries.

The Notes or Perpetual Securities offered under the Programme will be offered in Singapore pursuant to exemptions invoked under Sections 274 and/or 275 of the Securities and Futures Act, Chapter 289 of Singapore.

The net proceeds arising from the issue of Notes or Perpetual Securities under the Programme will be used for the purpose of financing general corporate purposes of G8 Education Limited , including to finance potential acquisitions, strategic expansions, general working capital, capital expenditure and investments and to refinance existing borrowings, or as otherwise specified in the pricing supplement.

In the event of a change in control (as defined in the Corporations Act 2001 of Australia) in respect of G8 Education Limited, there is an opportunity for holders of Notes and Perpetual Securities to have their securities redeemed on the terms set out in the attached Information Memorandum.

G8 Education Limited
159 Varsity Parade
Varsity Lakes QLD 4227
t. +61 7 5581 5300
f. +61 7 5581 5311
ACN 123 828 553
reception@g8education.edu.au
www.g8education.edu.au

ASX Announcement

G8 Education Limited
(ASX:GEM)

G8 Education ltd

Approval In-Principle from SGX

Approval in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the establishment of the Programme and an application will be made to the SGX-ST for permission to deal in, and for a quotation of, any Notes or Perpetual Securities to be issued pursuant to the Programme and to be listed on the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein or in the information memorandum relating to the Programme. Admission to the Official List of the SGX-ST and approval in-principle for the listing and quotation of any Notes or Perpetual Securities to be issued pursuant to the Programme on the SGX-ST are not to be taken as an indication of the merits of the G8 Education Limited or its subsidiaries.

ENDS

Chris Scott
Managing Director
G8 Education Limited

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY U.S. PERSON OR TO ANY PERSON OR ADDRESS IN THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached information memorandum. You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached information memorandum. In accessing the attached information memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: In order to be eligible to view the attached information memorandum or make an investment decision with respect to the securities, investors must not be a U.S. person (within the meaning of Regulation S under the Securities Act (as defined below)). The attached information memorandum is being sent at your request and by accepting the e-mail and accessing the attached information memorandum, you shall be deemed to have represented to us (1) that you are not resident in the United States nor a U.S. Person, as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") nor are you acting on behalf of a U.S. Person, the electronic mail address that you gave us and to which this email has been delivered is not located in the U.S. and, to the extent you purchase the securities described in the attached information memorandum, you will be doing so pursuant to Regulation S under the Securities Act, and (2) that you consent to delivery of the attached information memorandum and any amendments or supplements thereto by electronic transmission. By accepting this e-mail and accessing the attached information memorandum, if you are an investor in Singapore, you (A) represent and warrant that you are either an institutional investor as defined under Section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), a relevant person as defined under Section 275(2) of the SFA or persons to whom an offer is being made, as referred to in Section 275(1A) of the SFA, and (B) agree to be bound by the limitations and restrictions described herein.

The attached information memorandum has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of G8 Education Limited (the "**Issuer**"), DBS Bank Ltd. or any person who controls any of them nor any of their respective directors, officers, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. **We will provide a hard copy version to you upon request.**

Restrictions: The attached information memorandum is being furnished in connection with an offering of securities exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described therein.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE U.S. OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer or DBS Bank Ltd. to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act).

The attached information memorandum or any materials relating to the offering of securities do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering of securities be made by a licensed broker or dealer and the dealers or any affiliate of the dealers is a licensed broker or dealer in that jurisdiction, the offering of securities shall be deemed to be made by the dealers or such affiliate on behalf of the Issuer in such jurisdiction. The attached information memorandum may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply.

You are reminded that you have accessed the attached information memorandum on the basis that you are a person into whose possession the attached information memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver the attached information memorandum, electronically or otherwise, to any other person. **If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.**

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this document, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the “Reply” function on your e-mail software, will be ignored or rejected.

YOU ARE NOT AUTHORISED AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED INFORMATION MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH INFORMATION MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT AND THE ATTACHED INFORMATION MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

G8 Education[ltd]

G8 EDUCATION LIMITED

(Incorporated in the Commonwealth of Australia)

S$500,000,000
Multicurrency Debt Issuance Programme
(the "Programme")

unconditionally and irrevocably guaranteed by the initial guarantors named in this Information Memorandum

(the "**Initial Guarantors**")

This Information Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Information Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of notes (the "**Notes**") and/or perpetual securities (the "**Perpetual Securities**" and, together with the Notes, the "**Securities**") to be issued from time to time by G8 Education Limited (the "**Issuer**") pursuant to the Programme may not be circulated or distributed, nor may the Securities be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, (iii) where the Securities are initially acquired pursuant to an offer in reliance of Section 274 or 275 of the SFA, pursuant to, and in accordance with the conditions of, Section 276 of the SFA and any other applicable provision of the SFA, or (iv) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Securities pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

The Issuer may, from time to time as required under the terms and conditions of the Securities and in each case in accordance with the terms of the Trust Deed change the entities which are Guarantors (as defined herein) provided that the consolidated total assets of the Issuer and the Guarantors, taken as a whole at all times shall be no less than 90% of the consolidated total assets of the Group (as defined below).

All sums payable in respect of the Securities are unconditionally and irrevocably guaranteed by the Guarantors.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in and quotation for any Securities which are agreed at or prior to the time of issue thereof to be so listed on the Official List of the SGX-ST. Such permission will be granted when such Securities have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The approval in-principle from, and admission to the Official List of, the SGX-ST and the quotation of any Securities on the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Guarantors, their respective subsidiaries, associated companies (if any), joint venture companies (if any), the Programme and/or the Securities.

Arranger

DBS

TABLE OF CONTENTS

		Page
NOTICE		1
FORWARD-LOOKING STATEMENTS		5
DEFINITIONS		6
CORPORATE INFORMATION		10
SUMMARY OF THE PROGRAMME		11
TERMS AND CONDITIONS OF THE NOTES		28
TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES		59
THE ISSUER		88
SELECTED CONSOLIDATED FINANCIAL INFORMATION		105
RISK FACTORS		109
PURPOSE OF THE PROGRAMME AND USE OF PROCEEDS		122
CLEARING AND SETTLEMENT		123
TAXATION		125
SUBSCRIPTION, PURCHASE AND DISTRIBUTION		135
APPENDICES		
I :	GENERAL AND OTHER INFORMATION	137
II :	AUDITED FINANCIAL STATEMENTS OF G8 EDUCATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011	140
III :	AUDITED FINANCIAL STATEMENTS OF G8 EDUCATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012	208
IV :	AUDITED FINANCIAL STATEMENTS OF G8 EDUCATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013	288

NOTICE

DBS Bank Ltd. (the "**Arranger**") has been authorised by G8 Education Limited (the "**Issuer**") to arrange the S$500,000,000 Multicurrency Debt Issuance Programme (the "**Programme**") described herein. Under the Programme, the Issuer may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Securities denominated in Singapore dollars and/or any other currencies.

This Information Memorandum contains information with regard to the Issuer, the Guarantors and each of their respective subsidiaries, associated companies (if any), joint venture companies (if any) and the Securities. The Issuer and the Guarantors, each having made all reasonable enquiries, confirm that this Information Memorandum contains all information which is material in the context of the Programme and the issue and offering of the Securities, that all the information contained herein is true and accurate in all respects, that the opinions, expectations and intentions expressed in this Information Memorandum have been carefully considered, and that there are no other facts the omission of which in the context of the Programme and the issue and offering of the Securities would or might make any such information or expressions of opinion, expectation or intention misleading in any material respect.

Notes may be issued in series having one or more issue dates and the same maturity date, and on identical terms (including as to listing) except (in the case of Notes other than Variable Rate Notes (as described under "*Summary of the Programme*")) for the issue dates, issue prices and/or the dates of the first payment of interest, or (in the case of Variable Rate Notes) for the issue prices and rates of interest. Each series may be issued in one or more tranches on the same or different issue dates. The Notes will be issued in bearer form or registered form and may be listed on a stock exchange. The Notes will initially be represented by a Temporary Global Security (as defined herein) in bearer form, a Permanent Global Security (as defined herein) in bearer form or a registered Global Certificate (as defined herein) which will be deposited on the issue date with or registered in the name of, or in the name of a nominee of, either CDP (as defined herein) or a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") or otherwise delivered as agreed between the Issuer and the relevant Dealer(s) (as defined herein). Subject to compliance with all relevant laws, regulations and directives, the Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s) and may be subject to redemption or purchase in whole or in part. The Notes may bear interest at a fixed, floating, variable or hybrid rate or may not bear interest or may be such other notes as may be agreed between the Issuer and the relevant Dealer(s). The Notes will be repayable at par, at a specified amount above or below par or at an amount determined by reference to a formula, in each case with terms as specified in the Pricing Supplement (as defined herein) issued in relation to each series or tranche of Notes. Details applicable to each series or tranche of Notes will be specified in the applicable Pricing Supplement (as defined herein) which is to be read in conjunction with this Information Memorandum.

Perpetual Securities may be issued in series having one or more issue dates, and on identical terms (including as to listing) except for the issue dates, issue prices and/or the dates of the first payment of distribution. Each series may be issued in one or more tranches on the same or different issue dates. The Perpetual Securities will be issued in bearer form or registered form and may be listed on a stock exchange. The Perpetual Securities will initially be represented by a Temporary Global Security in bearer form, a Permanent Global Security in bearer form or a registered Global Certificate which will be deposited on the issue date with or registered in the name of, or in the name of a nominee of, either CDP or a common depositary for Euroclear and/or Clearstream, Luxembourg or otherwise delivered as agreed between the Issuer and the relevant Dealer(s). Subject to compliance with all relevant laws, regulations and directives, the Perpetual Securities may be subject to redemption in whole or in part. The Perpetual Securities may confer a right to receive distributions at a fixed or floating rate. Details applicable to each series or tranche of Perpetual Securities will be specified in the applicable Pricing Supplement which is to be read in conjunction with this Information Memorandum.

The maximum aggregate principal amount of the Securities to be issued, when added to the aggregate principal amount of all Securities outstanding (as defined in the Trust Deed referred to herein) shall be S$500,000,000 (or its equivalent in any other currencies) or such higher amount as may be increased in accordance with the terms of the Programme Agreement (as defined herein).

No person has been authorised to give any information or to make any representation other than those contained in this Information Memorandum and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Guarantors, the Arranger or any of the Dealer(s). Save as expressly stated in this Information Memorandum, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Issuer, the Guarantors or any of their respective subsidiaries, associated companies (if any) or joint venture companies (if any). Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme may be used for the purpose of, and does not constitute an offer of, or solicitation or invitation by or on behalf of the Issuer, the Guarantors, the Arranger or any of the Dealer(s) to subscribe for or purchase, the Securities in any jurisdiction or under any circumstances in which such offer, solicitation or invitation is unlawful, or not authorised or to any person to whom it is unlawful to make such offer, solicitation or invitation. The distribution and publication of this Information Memorandum or any such other document or information (or such part thereof) and the offer of the Securities in certain jurisdictions may be prohibited or restricted by law. Persons who distribute or publish this Information Memorandum or any such other document or information (or such part thereof) or into whose possession this Information Memorandum or any such other document or information (or such part thereof) comes are required to inform themselves about and to observe any such prohibitions or restrictions and all applicable laws, orders, rules and regulations.

The Securities have not been, and will not be, registered under the Securities Act (as defined herein) or with any securities regulatory authority of any state or other jurisdiction of the United States and include Securities in bearer form that are subject to U.S. tax law requirements and restrictions. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder).

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme shall be deemed to constitute an offer of, or an invitation by or on behalf of the Issuer, the Guarantors, the Arranger or any of the Dealer(s) to subscribe for or purchase, any of the Securities.

This Information Memorandum and all other documents or materials in relation to the issue, offering or sale of the Securities have been prepared solely for the purpose of the initial sale by the relevant Dealer(s) of the Securities from time to time to be issued pursuant to the Programme. This Information Memorandum and such other documents or materials are made available to the recipients thereof solely on the basis that they are persons falling within the ambit of Section 274 and/or Section 275 of the SFA and may not be relied upon by any person other than persons to whom the Securities are sold or with whom they are placed by the relevant Dealer(s) as aforesaid or for any other purpose. Recipients of this Information Memorandum shall not reissue, circulate or distribute this Information Memorandum or any part thereof in any manner whatsoever.

Neither the delivery of this Information Memorandum (or any part thereof) nor the issue, offering, purchase or sale of the Securities shall, under any circumstances, constitute a representation, or give rise to any implication, that there has been no change in the prospects, results of operations or general affairs of the Issuer, the Guarantors or any of their respective subsidiaries, associated companies (if any) or joint venture companies (if any) or in the information herein since the date hereof or the date on which this Information Memorandum has been most recently amended or supplemented.

The Arranger and the Dealer(s) have not separately verified the information contained in this Information Memorandum. None of the Issuer, the Arranger, any of the Dealer(s) or any of their respective officers or employees is making any representation or warranty expressed or implied as to the merits of the Securities or the subscription for, purchase or acquisition thereof, the creditworthiness or financial condition or otherwise of the Issuer, the Guarantors or any of their respective subsidiaries, associated companies (if any) or joint venture companies (if any). Further, none of the Arranger and the Dealer(s) makes any representation or warranty as to the Issuer, the Guarantors or any of their respective subsidiaries, associated companies (if any) or joint venture companies (if any) or as to the accuracy, reliability or completeness of the information set out herein (including the legal and regulatory requirements pertaining to Sections 274, 275 and 276 or any other provisions of the SFA) and the documents which are incorporated by reference in, and form part of, this Information Memorandum.

Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the issue of the Securities is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantors, the Arranger or any of the Dealer(s) that any recipient of this Information Memorandum or such other document or information (or such part thereof) should subscribe for or purchase any of the Securities. A prospective purchaser shall make its own assessment of the foregoing and other relevant matters including the financial condition and affairs and the creditworthiness of the Issuer, the Guarantors and their respective subsidiaries, associated companies (if any) and joint venture companies (if any), and obtain its own independent legal or other advice thereon, and its investment shall be deemed to be based on its own independent investigation of the financial condition and affairs and its appraisal of the creditworthiness of the Issuer, the Guarantor and their respective subsidiaries and associated companies (if any) or joint venture companies (if any). Accordingly, notwithstanding anything herein, none of the Issuer, the Guarantors, the Arranger, any of the Dealer(s) or any of their respective officers, employees or agents shall be held responsible for any loss or damage suffered or incurred by the recipients of this Information Memorandum or such other document or information (or such part thereof) as a result of or arising from anything expressly or implicitly contained in or referred to in this Information Memorandum or such other document or information (or such part thereof) and the same shall not constitute a ground for rescission of any purchase or acquisition of any of the Securities by a recipient of this Information Memorandum or such other document or information (or such part thereof).

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated by reference in, and to form part of, this Information Memorandum: (1) any annual reports and/or audited consolidated accounts of the Issuer and its subsidiaries, its associated companies (if any) and its joint venture companies (if any), and (2) any supplement or amendment to this Information Memorandum issued by the Issuer. This Information Memorandum is to be read in conjunction with all such documents which are incorporated by reference herein and, with respect to any series or tranche of Securities, any Pricing Supplement in respect of such series or tranche. Any statement contained in this Information Memorandum or in a document deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in this Information Memorandum or in such subsequent document that is also deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum. Copies of all documents deemed incorporated by reference herein are available for inspection during normal business hours at the specified office of the Issuing and Paying Agent (as defined herein).

To the fullest extent permitted by law, none of the Arranger or the Dealer(s) accepts any responsibility for the contents of this Information Memorandum or for any other statement made or purported to be made by the Arranger or any Dealer or on its behalf in connection with the Issuer, the Guarantors or the issue and offering of the Securities. The Arranger and each Dealer accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Information Memorandum or any such statement.

Any purchase or acquisition of the Securities is in all respects conditional on the satisfaction of certain conditions set out in the Programme Agreement and the issue of the Securities by the Issuer pursuant to the Programme Agreement. Any offer, invitation to offer or agreement made in connection with the purchase or acquisition of the Securities or pursuant to this Information Memorandum shall (without any liability or responsibility on the part of the Issuer, the Guarantors, the Arranger or any of the Dealer(s)) lapse and cease to have any effect if (for any other reason whatsoever) the Securities are not issued by the Issuer pursuant to the Programme Agreement.

Any discrepancies in the tables included herein between the listed amounts and totals thereof are due to rounding.

The attention of recipients of this Information Memorandum is drawn to the restrictions on resale of the Securities set out under "*Subscription, Purchase and Distribution*" on pages 135 and 136 of this Information Memorandum.

Any person(s) who is invited to purchase or subscribe for the Securities or to whom this Information Memorandum is sent shall not make any offer or sale, directly or indirectly, of any Securities or distribute or cause to be distributed any document or other material in connection therewith in any country or jurisdiction except in such manner and in such circumstances as will result in compliance with any applicable laws and regulations.

It is recommended that persons proposing to subscribe for or purchase any of the Securities consult their own legal and other advisers before purchasing or acquiring the Securities.

FORWARD-LOOKING STATEMENTS

All statements contained in this Information Memorandum that are not statements of historical fact constitute "forward-looking statements". Some of these statements can be identified by forward- looking terms such as "expect", "believe", "plan", "intend", "estimate", "anticipate", "may", "will", "would" and "could" or other similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the expected financial position, business strategy, plans and prospects of the Issuer, the Guarantors and/or the Group (including statements as to the Issuer's, the Guarantors' and/or the Group's revenue and profitability, prospects, future plans and other matters discussed in this Information Memorandum regarding matters that are not historical facts and including the financial forecasts, profit projections, statements as to the expansion plans of the Issuer, the Guarantors and/or the Group, expected growth in the Issuer, the Guarantors and/or the Group and other related matters), if any, are forward-looking statements and accordingly, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance and/or achievements of the Issuer, the Guarantors and/or the Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These factors include, among others:

- changes in general political, social and economic conditions;
- changes in currency exchange and interest rates;
- demographic changes;
- changes in competitive conditions; and
- other factors beyond the control of the Issuer, the Guarantors and the Group.

Some of these factors are discussed in greater detail in this Information Memorandum, in particular, but not limited to, the discussion under the section "*Risk Factors*".

Given the risks and uncertainties that may cause the actual future results, performance or achievements of the Issuer, the Guarantors or the Group to be materially different from the results, performance or achievements expected, expressed or implied by the financial forecasts, profit projections and other forward-looking statements in this Information Memorandum, undue reliance must not be placed on those forecasts, projections and statements. The Issuer, the Guarantors, the Arranger, the Dealers and the Trustee do not represent or warrant that the actual future results, performance or achievements of the Issuer, the Guarantors or the Group will be as discussed in those statements.

Neither the delivery of this Information Memorandum nor the issue of any Securities by the Issuer shall under any circumstances, constitute a continuing representation or create any suggestion or implication that there has been no change in the affairs of the Issuer, the Guarantors or the Group, or any statement of fact or information contained in this Information Memorandum since the date of this Information Memorandum or the date on which this Information Memorandum has been most recently amended or supplemented.

Further, the Issuer, the Guarantors, the Arranger, the Dealers and the Trustee disclaim any responsibility, and undertake no obligation, to update or revise any forward-looking statements contained herein to reflect any changes in the expectations with respect thereto after the date of this Information Memorandum or to reflect any change in events, conditions or circumstances on which any such statements are based.

DEFINITIONS

The following definitions have, where appropriate, been used in this Information Memorandum:

"**Additional Subsidiary Guarantor**"	:	A subsidiary of the Issuer who agrees to guarantee the payment and other obligations of the Issuer under or pursuant to the terms of the Trust Deed and the Securities by executing a Deed of Accession
"**Agency Agreement**"	:	The Agency Agreement dated 2 May 2014 made between (1) the Issuer, as issuer, (2) the Guarantors, as guarantors, (3) the Issuing and Paying Agent, as issuing and paying agent, (4) the Agent Bank, as agent bank, (5) the Transfer Agent, as transfer agent, (6) the Registrar, as registrar and (7) the Trustee, as trustee, as trustee, as amended, varied or supplemented from time to time
"**Agent Bank**"	:	DBS Bank Ltd.
"**Arranger**"	:	DBS Bank Ltd.
"**Australia**"	:	The Commonwealth of Australia
"**Bearer Securities**"	:	Securities in bearer form
"**Board**"	:	Board of Directors of the Issuer
"**CDP**"	:	The Central Depository (Pte) Limited
"**Certificate**"	:	A registered certificate representing one or more Registered Securities of the same Series, and, save as provided in the terms and conditions of the Notes or the terms and conditions of the Perpetual Securities, comprising the entire holding by a holder of Registered Securities of that Series
"**Companies Act**"	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
"**Company**" or "**Issuer**"	:	G8 Education Limited
"**Couponholders**"	:	The holders of the Coupons
"**Coupons**"	:	The bearer coupons appertaining to an interest or distribution bearing Bearer Security
"**cps**"	:	Cents per share
"**CY**"	:	Calendar year ended or ending 31 December
"**Dealer(s)**"	:	Persons appointed as dealers under the Programme
"**Deed of Accession**"	:	A deed of accession between the Issuer and the relevant Additional Subsidiary Guarantor pursuant to which the relevant Additional Subsidiary Guarantor agrees to become bound by each of the Agency Agreement, the Programme Agreement and the Trust Deed as a Guarantor in respect of any Securities issued or to be issued by the Issuer

"**Definitive Security**"	:	A definitive Bearer Security having, where appropriate, Coupons and/or a Talon attached on issue.
"**Directors**"	:	The directors (including alternate directors, if any) of the Issuer as at the date of this Information Memorandum
"**EPS**"	:	Earnings per share
"**Global Certificate**"	:	A Certificate representing Registered Securities of one or more Tranches of the same Series that are registered in the name of, or in the name of a nominee of, (i) a common depositary for Euroclear and/or Clearstream, Luxembourg, (ii) CDP and/or (iii) any other clearing system
"**Global Security**"	:	A global Security representing Bearer Securities of one or more Tranches of the same Series, being a Temporary Global Security and/or, as the context may require, a Permanent Global Security, in each case without Coupons or a Talon
"**Group**"	:	The Issuer and its subsidiaries
"**Guarantee**"	:	The guarantee of the Securities by the Guarantors as set out in the Trust Deed
"**Guarantors**"	:	Each Initial Guarantor and each Additional Subsidiary Guarantor that executes a Deed of Accession, and its respective successors and assigns, but excludes any person who has been released from the Guarantee pursuant to the terms of the Trust Deed from time to time, and "**Guarantor**" means each of them individually and every two or more of them jointly
"**Initial Guarantors**"	:	Each person who is an Initial Guarantor under the Trust Deed
"**IRAS**"	:	Inland Revenue Authority of Singapore
"**Issuing and Paying Agent**"	:	DBS Bank Ltd.
"**ITA**"	:	The Income Tax Act, Chapter 134 of Singapore, as amended or modified from time to time
"**Latest Practicable Date**"	:	30 April 2014
"**MAS**"	:	Monetary Authority of Singapore
"**Noteholders**"	:	The holders of the Notes
"**Notes**"	:	The notes issued or to be issued by the Issuer under the Programme
"**Permanent Global Security**"	:	A Global Security representing Bearer Securities of one or more Tranches of the same Series, either on issue or upon exchange of interests in a Temporary Global Security
"**Perpetual Securities**"	:	The perpetual securities to be issued by the Issuer under the Programme

"**Perpetual Securityholders**"	:	The holders of the Perpetual Securities
"**Pricing Supplement**"	:	In relation to a Tranche or Series, a pricing supplement, to be read in conjunction with this Information Memorandum, specifying the relevant issue details in relation to such Tranche or, as the case may be, Series
"**Programme**"	:	The S$500,000,000 Multicurrency Debt Issuance Programme of the Issuer
"**Programme Agreement**"	:	The Programme Agreement dated 2 May 2014 made between (1) the Issuer, as issuer, (2) the Guarantors, as guarantors, (3) the Arranger, as arranger and (4) DBS Bank Ltd., as dealer, as amended, varied or supplemented from time to time
"**Registered Securities**"	:	Securities in registered form
"**Registrar**"	:	DBS Bank Ltd.
"**Securities**"	:	The Notes and the Perpetual Securities
"**Securities Act**"	:	Securities Act of 1933 of the United States, as amended
"**Securityholders**"	:	The Noteholders and the Perpetual Securityholders
"**Series**"	:	(1) (in relation to Securities other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (a) expressed to be consolidated and forming a single series and (b) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (2) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest
"**SFA**"	:	The Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shares**"	:	Ordinary shares in the capital of the Issuer
"**Subordinated Perpetual Securities**"	:	Perpetual Securities which are expressed to rank as subordinated obligations of the Issuer
"**Talons**"	:	Talons for further Coupons or, as the context may require, a specific number of them and includes any replacement Talons issued pursuant to the relevant Conditions
"**Temporary Global Security**"	:	A Global Security representing Bearer Securities of one or more Tranches of the same Series on issue
"**Tranche**"	:	Securities which are identical in all respects (including as to listing)
"**Transfer Agent**"	:	DBS Bank Ltd.

"**Trust Deed**"	:	The Trust Deed dated 2 May 2014 made between (1) the Issuer, as issuer, (2) the Guarantors, as guarantors, and (3) the Trustee, as trustee, as amended, varied or supplemented from time to time
"**Trustee**"	:	DBS Trustee Limited
"**United States**" or "**U.S.**"	:	United States of America
"**A$**"	:	Australian dollars
"**S$**" or "**$**"	:	Singapore dollars
"**%**"	:	Per cent.

Words importing the singular shall, where applicable, include the plural and *vice versa*, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations. Any reference to a time of day in this Information Memorandum shall be a reference to Singapore time unless otherwise stated. Any reference in this Information Memorandum to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act or the SFA or any statutory modification thereof and used in this Information Memorandum shall, where applicable, have the meaning ascribed to it under the Companies Act or, as the case may be, the SFA.

CORPORATE INFORMATION

Board of Directors of the Issuer	:	Jennifer Joan Hutson (*Chairperson*) Christopher John Scott (*Executive Director*) Brian Hilton Bailison (*Non-Executive Director*) Andrew Peter Somerville Kemp (*Non-Executive Director*) Susan Margaret Forrester (*Non-Executive Director*)
Company Secretary of the Issuer	:	Christopher Sacre
Registered Office	:	159 Varsity Parade Varsity Lakes QLD 4227 Australia
Auditors to the Issuer	:	HLB Mann Judd (SE Qld Partnership) Level 15, 66 Eagle Street Brisbane, QLD 4000 Australia
Arranger of the Programme	:	DBS Bank Ltd. 12 Marina Boulevard Level 42 Marina Bay Financial Centre Tower 3 Singapore 018982
Legal Advisers to the Arranger and the Trustee, Issuing and Paying Agent, Agent Bank, Transfer Agent and Registrar	:	WongPartnership LLP 12 Marina Boulevard Level 28 Marina Bay Financial Centre Tower 3 Singapore 018982
Legal Advisers to the Issuer and the Initial Guarantors	:	Drew & Napier LLC 10 Collyer Quay #10-01 Ocean Financial Centre Singapore 049315
Australian Legal Advisers to the Issuer and the Initial Guarantors	:	Mills Oakley Lawyers Level 14 145 Ann Street Brisbane QLD 4000 Australia
Issuing and Paying Agent, Agent Bank, Transfer Agent and Registrar	:	DBS Bank Ltd. 10 Toh Guan Road #04-11 (Level 4B) DBS Asia Gateway Singapore 608838
Trustee for the Securityholders	:	DBS Trustee Limited 12 Marina Boulevard Level 44 Marina Bay Financial Centre Tower 3 Singapore 018982

SUMMARY OF THE PROGRAMME

The following summary is derived from, and should be read in conjunction with, the full text of this Information Memorandum (and any relevant supplement to this Information Memorandum), the Programme Agreement, the Trust Deed, the Agency Agreement and the relevant Pricing Supplement.

Issuer	:	G8 Education Limited.
Initial Guarantors	:	1. Grasshoppers Early Learning Centres Pty Ltd 2. Togalog Pty Ltd 3. RBWOL Holding Pty Ltd 4. Ramsay Bourne Holdings Pty Limited 5. Bourne Learning Pty Ltd 6. Ramsay Bourne Acquisitions (No. 1) Pty Limited 7. Ramsay Bourne Acquisitions (No. 2) Pty Limited 8. RBL No. 1 Pty Ltd 9. Ramsay Bourne Licences Pty Limited 10. World of Learning Pty Limited 11. World of Learning Acquisitions (No. 1) Pty Limited 12. World of Learning Acquisitions Pty Limited 13. World of Learning Licences Pty Limited 14. G8 KP Pty Ltd 15. Sydney Cove Children's Centre Pty Ltd 16. Sydney Cove Children's Centre B Pty Ltd 17. Sydney Cove Children's Centre C Pty Ltd 18. Sydney Cove Property Holdings Pty Limited 19. Sterling Early Education Holdings Pty Ltd 20. Sterling Early Education Finance Pty Limited 21. Jellybeans Operations Pty Limited 22. Huggy Bear Operations Pty Limited 23. Jacaranda Operations Pty Ltd 24. Oorama Operations Pty Limited 25. North Shore Childcare Pty Limited 26. Kool Kids Operation Pty Limited 27. CG Operations Pty Limited 28. Kindy Kids Operations Pty Limited 29. Woodland Education Operations Pty Limited 30. Jane's Place Operations Pty Limited 31. G8 Education Singapore Pte Ltd 32. Cherie Hearts Holdings Pte Ltd 33. Cherie Hearts Corporate Pte Ltd 34. Our Juniors Global Schoolhouse Pte Ltd 35. Bright Juniors Pte Ltd 36. Cherie Hearts @ Gombak Pte Ltd 37. Bright Juniors @ PGL Pte Ltd 38. Bright Juniors @ SC Pte Ltd 39. Bright Juniors @ YS Pte Ltd 40. Cherie Hearts @ KK Pte Ltd 41. Cherie Hearts @ SK Pte Ltd All existing subsidiaries for the Issuer are Initial Guarantors for the purposes of the Programme.
Arranger	:	DBS Bank Ltd.
Dealers	:	DBS Bank Ltd. and/or such other Dealers as may be appointed by the Issuer in accordance with the Programme Agreement.

Issuing and Paying Agent, Agent Bank, Transfer Agent and Registrar	DBS Bank Ltd.
Description	Multicurrency Debt Issuance Programme.
Programme Size	The maximum aggregate principal amount of the Securities outstanding at any time shall be S$500,000,000 (or its equivalent in other currencies) or such higher amount as may be increased in accordance with the terms of the Programme Agreement.
Change of Guarantor	The Issuer shall have the right to change the entities which are Guarantors provided that the consolidated total assets of the Issuer and the Guarantors, taken as a whole, at all times shall be no less than 90% of the Consolidated Total Assets of the Group (as defined in the Trust Deed). Pursuant to the provisions of the Trust Deed, an Additional Subsidiary Guarantor which executes a deed of accession substantially in the form set out in the Trust Deed will agree to be bound by the terms of the Programme Agreement, the Trust Deed and the Agency Agreement. The obligations of Guarantors under the Trust Deed and the Guarantee may also be terminated by the Issuer giving notice to the Trustee and the Securityholders in accordance with the Conditions and stating that the obligations of such Guarantor under the Trust Deed and the Guarantee will be terminated and the Guarantee will be revoked in respect of that particular Guarantor not less than 30 days from the publication of such notice. Such revocation will not affect the liability of any other Guarantor not named in such notice.
Additional Covenant	The Issuer has covenanted in the Trust Deed that it (i) will ensure that, at all times, the consolidated total assets of the Issuer and the Guarantors (taken as a whole) shall be at least 90 per cent. of the Consolidated Total Assets of the Group, taken as a whole, and (ii) agrees and undertakes to cause its subsidiaries to become a Guarantor pursuant to the Trust Deed to ensure that, at all times, the consolidated total assets of the Issuer and the Guarantors (taken as a whole) shall be at least 90 per cent. of the Consolidated Total Assets of the Group, taken as a whole.

NOTES

Currency	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in Singapore dollars or any other currency agreed between the Issuer and the relevant Dealer(s).
Method of Issue	Notes may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.
Issue Price	Notes may be issued at par or at a discount, or premium, to par.
Maturities	Subject to compliance with all relevant laws, regulations and directives, Notes may have maturities of such tenor as may be agreed between the Issuer and the relevant Dealer(s).

Mandatory Redemption	:	Unless previously redeemed or purchased and cancelled, each Note will be redeemed at its redemption amount on the maturity date shown on its face.
Interest Basis	:	Notes may bear interest at fixed, floating, variable or hybrid rates or such other rates as may be agreed between the Issuer and the relevant Dealer(s) or may not bear interest.
Fixed Rate Notes	:	Fixed Rate Notes will bear a fixed rate of interest which will be payable in arrear on specified dates and at maturity.
Floating Rate Notes	:	Floating Rate Notes which are denominated in Singapore dollars will bear interest to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Interest periods in relation to the Floating Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. Floating Rate Notes which are denominated in other currencies will bear interest to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).
Variable Rate Notes	:	Variable Rate Notes will bear interest at a variable rate determined in accordance with the terms and conditions of the Notes. Interest periods in relation to the Variable Rate Notes will be agreed between the Issuer and the relevant Dealer(s) prior to their issue.
Hybrid Notes	:	Hybrid Notes will bear interest, during the fixed rate period to be agreed between the Issuer and the relevant Dealer(s), at a fixed rate of interest which will be payable in arrear on specified dates and, during the floating rate period to be agreed between the Issuer and the relevant Dealer(s), at the rate of interest to be determined by reference to S$ SIBOR or S$ SWAP RATE (or such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin (provided that if the Hybrid Notes are denominated in a currency other than Singapore dollars, such Hybrid Notes will bear interest to be determined separately by reference to such benchmark as may be agreed between the Issuer and the relevant Dealer(s)), in each case payable at the end of each interest period to be agreed between the Issuer and the relevant Dealer(s).
Zero Coupon Notes	:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest other than in the case of late payment.
Form and Denomination of Notes	:	The Notes will be issued in bearer form or registered form and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of bearer Notes may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable,

upon request as described therein, either for a Permanent Global Security or definitive Notes (as indicated in the applicable Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for definitive Notes upon the terms therein. Each Tranche or Series of registered Notes will initially be represented by a Global Certificate. Each Global Certificate may be registered in the name of, or in the name of a nominee of, CDP, a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearing system. Each Global Certificate may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. Save as provided in the terms and conditions of the Notes, a Certificate shall be issued in respect of each Noteholder's entire holding of registered Notes of one Series.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, the Issuer will appoint and maintain an issuing and paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Securities or, as the case may be, the definitive Certificates, including details of the paying agent in Singapore.

Custody of the Notes	:	Notes which are to be listed on the SGX-ST may be cleared through CDP. Notes which are to be cleared through CDP are required to be kept with CDP as authorised depository. Notes which are cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depositary on behalf of Euroclear and/or Clearstream, Luxembourg.
Status of the Notes and the Guarantee	:	The Notes and Coupons of all Series will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer. The obligations of the Guarantors under the Guarantee constitute direct, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall rank *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Guarantor.

Redemption and Purchase	:	If so provided on the face of the Note and the relevant Pricing Supplement, Notes may be redeemed (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the holders of the Notes. Further, if so provided on the face of the Note and the relevant Pricing Supplement, Notes may be purchased by the Issuer (either in whole or in part) prior to their stated maturity at the option of the Issuer and/or the holders of the Notes.
Redemption upon Cessation or Suspension of Trading of the Issuer's Shares	:	If, for any reason, a Relevant Event occurs, the Issuer will within seven days of such occurrence give notice to the Noteholders of the occurrence of such event (the "**Relevant Event Redemption Notice**") and shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption, on the date falling 60 days from the date of the Relevant Event Redemption Notice (or if such date is not a business day, on the next day which is a business day). To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent at its specified office or (in the case of Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed Exercise Notice in the form obtainable from any Paying Agent, the Registrar, any Transfer Agent or the Issuer (as applicable), no later than 30 days from the date of the Notice. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. For the purposes of the paragraph above, a "**Relevant Event**" occurs: (i) when the shares of the Issuer cease to be listed or admitted to trading on the Australian Stock Exchange ("**ASX**"); or (ii) when trading in the shares of the Issuer on the ASX is suspended for a period equal to or exceeding fourteen (14) days.
Redemption upon Change of Control	:	If, for any reason, a Change of Control Event occurs, the Issuer will within seven days of such occurrence give notice to the Noteholders of the occurrence of such event (the "**CoC Event Redemption Notice**") and shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption, on the date falling 60 days from the date of the CoC Event Redemption Notice (or if such date is not a business day, on the next day which is a business day). To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent at its specified office or (in the case of Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed Exercise Notice in the form obtainable from any Paying Agent, the Registrar, any Transfer Agent or the Issuer (as applicable), no later than 30 days from the date of the Notice.

Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

For the purposes of the paragraph above, a "**Change of Control Event**" means an event where a party which has voting power (as that term is defined in the Corporations Act of Australia) in respect of the Issuer of 50 per cent. or less as at the Issue Date obtains voting power of more than 50 per cent., but will not include the following circumstances:

(i) where some or all of the increase in voting power arises from an agreement that is conditional; or

(ii) where the increase in voting power arises because of a relevant interest that a person has under section 608(3)(a) of the Corporations Act of Australia.

Negative Pledge : Each of the Issuer and the Guarantors has covenanted in the Trust Deed that, so long as any of the Notes remains outstanding (as defined in the Trust Deed), it will not create or permit to be created or have outstanding any security over the whole or any part of their respective undertakings, assets, property revenues or rights to receive dividends, present or future, save for:

(i) any security created over any asset existing on the date of this Trust Deed to secure any indebtedness which has been disclosed to the Trustee in writing on or prior to the date of this Trust Deed provided that the amount secured by any such security may not be increased;

(ii) any security interest arising by operation of law and in the ordinary course of trading so long as the Financial Indebtedness (as defined in the Trust Deed) secured by that security interest is paid when due or contested in good faith and appropriately provisioned;

(iii) any netting and set-off arrangements arising in the ordinary course of the Group's banking arrangements;

(iv) any security interest approved by the Noteholders by way of an Extraordinary Resolution;

(v) any security interest provided for by one of the following transactions if the transaction does not secure payment or performance of an obligation:

    (i) a transfer of an account or chattel paper;

    (ii) a commercial consignment; or

    (iii) a PPS Lease (as defined in the Personal Property Securities Act 2009 of Australia); or

(vi) any security interest incurred by any member of the Group including those described in sub-paragraphs (i) to (iv) above provided that, upon the incurrence thereof, the ratio of Consolidated Secured Debt (as defined in the Trust Deed) to Consolidated EBIT (as defined in the Trust Deed) is not more than 3.0 : 1.

Financial Covenants	:	The Issuer has covenanted in the Trust Deed that for so long as any of the Notes or Coupons remains outstanding, it will ensure that: (i) the Consolidated Total Equity (as defined in the Trust Deed) will not at any time be less than A$280,000,000; (ii) the ratio of Consolidated Total Borrowings (as defined in the Trust Deed) to Consolidated Total Equity will not at any time be more than 1.75 : 1; (iii) the ratio of its Consolidated Secured Debt to Consolidated Total Assets (as defined in the Trust Deed) will not at any time be more than 0.5 : 1; and (iv) the ratio of Consolidated EBITDA (as defined in the Trust Deed) to Consolidated Finance Charges (as defined in the Trust Deed) will not at any time be less than 3.5 : 1.
Non-Disposal Covenant	:	The Issuer has covenanted in the Trust Deed that it will not (and will ensure that any Guarantor will not) (whether in a single transaction or a series of related transactions) sell, transfer, lease, or otherwise dispose of, or create or allow to exist an interest in all or a material part of its assets or the assets of a Guarantor, other than: (i) disposals, partings with possession and interests created (including subleases): (A) in the ordinary course of business at arm's length and on arm's length commercial terms; (B) where the asset are waste, obsolete and are not required for the efficient operation of its business; (C) in exchange for other assets comparable or superior as to type, value and quality; or (D) from the Issuer or a Guarantor to each other; and (ii) where an amount equal to the net proceeds of the disposal is used within 180 days after such disposal to: (A) purchase, acquire, develop, redevelop or construct productive assets for use by the Issuer or a Guarantor in its business; and/or (B) prepay or repay any secured or unsecured Financial Indebtedness of the Issuer or a Guarantor.
Non-payment of Distributions and Restriction on Capital Reduction Covenant	:	The Issuer has covenanted in the Trust Deed that it will not (and will ensure that the Guarantors will not) declare or pay any dividend or make any other payment or distribution having the same effect (for the purposes of this paragraph, "**Distribution**"), or reduce, return, purchase, repay, cancel or redeem any of its share capital or buy back any of its shares ("**Capital Reduction**") under Chapter 2J of the Corporations Act 2001 of the Commonwealth of Australia (or an equivalent provision under any legislation in another jurisdiction applicable to that Guarantor) except:

		(i) where the recipient of the proceeds of such Distribution or Capital Reduction is the Issuer or a Guarantor; or (ii) where the source of the funds to effect such Distribution or Capital Reduction has not been raised by way of Financial Indebtedness (or in a transaction or series of transactions having substantially the same effect), provided that, in any case, such Distribution is no greater than an amount lawfully permitted under applicable law. So long as an (in the case of Notes) Event of Default or (in the case of Perpetual Securities) Enforcement Event is subsisting, the Issuer will not declare or pay a dividend or make any Distribution on any issued share in the Issuer, or pay any interest or other amounts payable in respect of any debt security issued which ranks behind the Securities in priority for payment of interest.
Listing	:	Each Series of the Notes may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained.
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Notes and the distribution of offering material relating to the Notes, see the section on "*Subscription, Purchase and Distribution*" below. Further restrictions may apply in connection with any particular Series or Tranche of Notes.
Governing Law	:	The Programme and any Notes issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore.

PERPETUAL SECURITIES

Currency	:	Subject to compliance with all relevant laws, regulations and directives, Perpetual Securities may be issued in Singapore dollars or any other currency agreed between the Issuer and the relevant Dealer(s).
Method of Issue	:	Perpetual Securities may be issued from time to time under the Programme on a syndicated or non-syndicated basis. Each Series may be issued in one or more Tranches, on the same or different issue dates. The specific terms of each Series or Tranche will be specified in the relevant Pricing Supplement.
Issue Price	:	Perpetual Securities may be issued at par or at a discount, or premium, to par.
No Fixed Maturity	:	The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall only have the right to redeem or purchase them in accordance with the provisions of the terms and conditions of the Perpetual Securities.
Distribution Basis	:	Perpetual Securities may confer a right to receive distribution at fixed or floating rates.

Fixed Rate Perpetual Securities	:	Fixed Rate Perpetual Securities will confer a right to receive distribution at a fixed rate which will be payable in arrear on specified dates. If so provided on the face of the Fixed Rate Perpetual Securities, the distribution rate may be reset on such dates and bases as may be set out in the applicable Pricing Supplement.
Floating Rate Perpetual Securities	:	Floating Rate Perpetual Securities which are denominated in Singapore dollars will confer a right to receive distribution at a rate to be determined separately for each Series by reference to S$ SIBOR or S$ SWAP RATE (or in any other case such other benchmark as may be agreed between the Issuer and the relevant Dealer(s)), as adjusted for any applicable margin. Distribution periods in relation to the Floating Rate Perpetual Securities will be agreed between the Issuer and the relevant Dealer(s) prior to their issue. Floating Rate Perpetual Securities which are denominated in other currencies will confer a right to receive distribution at a rate to be determined separately for each Series by reference to such other benchmark as may be agreed between the Issuer and the relevant Dealer(s).
Distribution Discretion	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date (as defined in the terms and conditions of the Perpetual Securities) by giving notice to the Trustee and the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 15 of the Perpetual Securities) not more than 15 nor less than 5 business days (or such other notice period as may be specified on the face of the Perpetual Security and the relevant Pricing Supplement) prior to a scheduled Distribution Payment Date. If Dividend Pusher is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may not elect to defer any distribution if during the Reference Period (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following have occurred: (a) a dividend, distribution or other payment has been declared or paid on or in respect of any of the Issuer's Junior Obligations (as specified in the applicable Pricing Supplement) or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Issuer's Parity Obligations (as specified in the applicable Pricing Supplement); or (b) any of the Issuer's Junior Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration or, in relation to Subordinated Perpetual Securities only, (except on a pro-rata basis) any of the Issuer's Parity Obligations has been redeemed, reduced, cancelled, bought back or acquired for any consideration, in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants of the Group or (2)

as a result of the exchange or conversion of Parity Obligations of the Issuer for Junior Obligations of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.

Non-Cumulative Deferral and Cumulative Deferral	:	If Non-Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities is non-cumulative and will not accrue distribution. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid ("**Optional Distribution**") (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e) of the Perpetual Securities. There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to Condition 4(IV) of the Perpetual Securities. Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a pro-rata basis. If Cumulative Deferral is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, any distribution deferred pursuant to Condition 4(IV) of the Perpetual Securities shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect to (in the circumstances set out in Condition 4(IV)(a) of the Perpetual Securities) further defer any Arrears of Distribution by complying with the notice requirement in Condition 4(IV)(a) of the Perpetual Securities applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to Condition 4(IV) of the Perpetual Securities except that Condition 4(IV)(c) of the Perpetual Securities shall be complied with until all outstanding Arrears of Distribution have been paid in full. If Additional Distribution is so provided on the face of the Perpetual Security and the relevant Pricing Supplement, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to Condition 4 of the Perpetual Securities and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the provisions of Condition 4 of the Perpetual Securities. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

Restrictions in the case of Non-Payment	:	If Dividend Stopper is so provided on the face of the Perpetual Security and the relevant Pricing Supplement and on any Distribution Payment Date, payments of all distribution scheduled to be made on such date are not made in full by reason of Condition 4(IV) of the Perpetual Securities, the Issuer shall not and shall procure that none of its subsidiaries shall: (a) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on any of the Junior Obligations of the Issuer or, in relation to Subordinated Perpetual Securities only, (except on a pro-rata basis) any of the Parity Obligations of the Issuer; or (b) redeem, reduce, cancel, buy-back or acquire for any consideration and will procure that no redemption, reduction, cancellation, buy-back or acquisition for any consideration is made in respect of, any of the Issuer's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a pro-rata basis) any of the Parity Obligations of the Issuer, in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of the Issuer for Junior Obligations of the Issuer, unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Issuer is permitted to do so by an Extraordinary Resolution of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.
Form and Denomination of the Perpetual Securities	:	The Perpetual Securities will be issued in bearer form or registered form and in such denominations as may be agreed between the Issuer and the relevant Dealer(s). Each Tranche or Series of bearer Perpetual Securities may initially be represented by a Temporary Global Security or a Permanent Global Security. Each Temporary Global Security may be deposited on the relevant issue date with CDP, a common depositary for Euroclear and/or Clearstream, Luxembourg and/or any other agreed clearing system and will be exchangeable, upon request as described therein, either for a Permanent Global Security or definitive Perpetual Securities (as indicated in the applicable Pricing Supplement). Each Permanent Global Security may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for definitive Perpetual Securities upon the terms therein. Each Tranche or Series of registered Perpetual Securities will initially be represented by a Global Certificate. Each Global Certificate may be registered in the name of, or in the name of a nominee of, CDP, a common depositary for Euroclear

and/or Clearstream, Luxembourg and/or any other agreed clearing system. Each Global Certificate may be exchanged, unless otherwise specified in the applicable Pricing Supplement, upon request as described therein, in whole (but not in part) for Certificates upon the terms therein. Save as provided in the terms and conditions of the Perpetual Securities, a Certificate shall be issued in respect of each Perpetual Securityholder's entire holding of registered Perpetual Securities of one Series.

For so long as the Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, the Issuer will appoint and maintain an issuing and paying agent in Singapore, where the Perpetual Securities may be presented or surrendered for payment or redemption. In addition, for so long as the Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Securities or, as the case may be, the definitive Certificates, including details of the paying agent in Singapore.

Custody of the Perpetual Securities	:	Perpetual Securities which are to be listed on the SGX-ST may be cleared through CDP. Perpetual Securities which are to be cleared through CDP are required to be kept with CDP as authorised depository. Perpetual Securities which are cleared through Euroclear and/or Clearstream, Luxembourg are required to be kept with a common depositary on behalf of Euroclear and/ or Clearstream Luxembourg.
Status of the Senior Perpetual Securities	:	The Senior Perpetual Securities and Coupons relating to them will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and at least *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.
Status of the Subordinated Perpetual Securities	:	The Subordinated Perpetual Securities and Coupons relating to them will constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and *pari passu* with any Parity Obligations of the Issuer.
Subordination of Subordinated Perpetual Securities	:	Subject to the insolvency laws of Australia and other applicable laws, in the event of the winding-up of the Issuer, the rights of the Perpetual Securityholders and Couponholders to payment of principal of and distribution on the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.

Set-off in relation to Subordinated Perpetual Securities	:	Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or, as the case may be, any of the Guarantors in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer or, as the case may be, that Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Issuer in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (even if the amount is received from a Guarantor) (or, in the event of its winding-up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.
Guarantee in relation to the Subordinated Perpetual Securities	:	The due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Subordinated Perpetual Securities and the Coupons is unconditionally and irrevocably guaranteed by the Guarantors. The obligations of the Guarantors under the Guarantee are contained in the Trust Deed. The payment obligations of each Guarantor under the Guarantee and the Trust Deed in respect of Subordinated Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of such Guarantor and shall at all times rank *pari passu* with all present and future unsecured obligations (other than subordinated obligations and priorities created by law) of such Guarantor. The rights and claims of the Subordinated Perpetual Securityholders and Couponholders in respect of the Guarantee are subordinated as provided in the Terms and Conditions of the Perpetual Securities. For the avoidance of doubt, no sum shall be payable by a Guarantor under the Guarantee in the event of a winding-up of the Issuer until the payment in full of all claims of senior creditors of the Issuer.
Redemption at the Option of the Issuer	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Issuer may, on giving irrevocable notice to the Perpetual Securityholders and the Trustee falling within the Issuer's Redemption Option Period shown on the face thereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) to the date fixed for redemption.

Redemption for Taxation Reasons : If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

(i) the Issuer receives a ruling by the Singapore Comptroller of Income Tax (or other relevant tax authority) which confirms that:

(A) the Perpetual Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) and section 13 of the ITA and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(B) the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption and/or concessionary tax rate on interest for "qualifying debt securities" under the ITA,

as a result of which the Issuer will become obliged to pay additional amounts as provided or referred to in Condition 7; or

(C) the distributions (including any Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purposes of Section 14(1)(a) of the ITA; or

(ii) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 of the Perpetual Securities, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Singapore, Australia, or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement and such obligations cannot be avoided by the Issuer taking reasonable measures available to it,

provided that (where the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due.

Redemption for Accounting Reasons	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if, the Issuer satisfies the Trustee immediately prior to the giving of such notice that, as a result of any changes or amendments to the Australian Accounting Standards, as amended from time to time (the "**AAS**") or any other accounting standards that may replace the AAS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), which change or amendment becomes effective on or after the Issue Date, the Perpetual Securities will not or will no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.
Redemption for Tax Deductibility Reasons	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of: (i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore, Australia or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; (ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or (iii) any applicable official interpretation or pronouncement that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is issued or announced before the Issue Date, payments by the Issuer are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, fully deductible by the Issuer for Singapore income tax purposes.

Redemption upon a Change of Control	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), following the occurrence of a Change of Control Event. For the purposes of the paragraph above, a "**Change of Control Event**" means an event where a party which has voting power (as that term is defined in the Corporations Act 2001 of Australia) in respect of the Issuer of 50 per cent. or less as at the Issue Date obtains voting power of more than 50 per cent., but will not include the following circumstances: (i) where some or all of the increase in voting power arises from an agreement that is conditional; or (ii) where the increase in voting power arises because of a relevant interest that a person has under section 608(3)(a) of the Corporations Act 2001 of Australia.
Redemption in the case of Minimal Outstanding Amount	:	If so provided on the face of the Perpetual Security and the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.
Limited right to institute proceedings in relation to Perpetual Securities	:	The right to institute proceedings for winding-up is limited to circumstances where payment has become due. In the case of any distribution, such distribution will not be due if the Issuer has elected not to pay that distribution in accordance with Condition 4(IV) of the Perpetual Securities.
Proceedings for Winding-Up	:	If (i) a final and effective order is made or an effective resolution is passed for the bankruptcy, winding-up, liquidation, receivership or similar proceedings of the Issuer or (ii) the Issuer shall not make payment in respect of the Perpetual Securities for a period of two business days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Perpetual Securities and the Trustee may, subject to the provisions of Condition 9(d) of the Perpetual Securities, institute proceedings for the winding-up of the Issuer and/or prove in the winding-up of the Issuer and/or claim in the liquidation of the Issuer for such payment.

Taxation	:	All payments in respect of the Perpetual Securities and the Coupons by the Issuer shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Singapore, Australia or any authority thereof or therein having power to tax, unless such deduction or withholding is required by law. In such event, the Issuer shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required. For further details, see the section on "*Taxation*" below.
Listing	:	Each Series of the Perpetual Securities may, if so agreed between the Issuer and the relevant Dealer(s), be listed on the SGX-ST or any stock exchange(s) as may be agreed between the Issuer and the relevant Dealer(s), subject to all necessary approvals having been obtained.
Selling Restrictions	:	For a description of certain restrictions on offers, sales and deliveries of Perpetual Securities and the distribution of offering material relating to the Perpetual Securities, see the section on "*Subscription, Purchase and Distribution*" herein. Further restrictions may apply in connection with any particular Series or Tranche of Perpetual Securities.
Governing Law	:	The Programme and any Perpetual Securities issued under the Programme will be governed by, and construed in accordance with, the laws of Singapore.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Notes in definitive form issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme. Details of the relevant Series are being shown on the face of the relevant Notes and in the relevant Pricing Supplement.

The Notes are constituted by a trust deed (as amended, varied or supplemented, the "**Trust Deed**") dated 2 May 2014 made between (1) G8 Education Limited, as issuer (the "**Issuer**"), (2) the Guarantors (as defined in the Trust Deed), as guarantors and (3) DBS Trustee Limited (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee for the Noteholders (as defined below), and (where applicable) the Notes are issued with the benefit of a deed of covenant (as amended, varied or supplemented, the "**Deed of Covenant**") dated 2 May 2014 relating to the Notes executed by the Issuer. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Notes, Certificates, Coupons and Talons referred to below. The Issuer has entered into an agency agreement (as amended, varied or supplemented, the "**Agency Agreement**") dated 2 May 2014 made between (1) the Issuer, as issuer, (2) the Guarantors, as guarantors, (3) DBS Bank Ltd., as issuing and paying agent (in such capacity, the "**Issuing and Paying Agent**") (4) DBS Bank Ltd., as agent bank (in such capacity, the "**Agent Bank**"), (5) DBS Bank Ltd., as transfer agent (in such capacity, the "**Transfer Agent**"), (6) DBS Bank Ltd., as registrar (in such capacity, the "**Registrar**") and (7) the Trustee, as trustee. The Issuing and Paying Agent, which expression shall, wherever the context so admits, include any successor for the time being as Issuing and Paying Agent, (in the case of any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero-Coupon Note) the Agent Bank, which expression shall, wherever the context so admits, include any successor for the time being as Agent Bank, (in the case of Registered Notes) the Registrar, which expression shall, wherever the context so admits, include any successor for the time being as Registrar and (in the case of Registered Notes) the Transfer Agent, which expression shall, wherever the context so admits, include any successor for the time being as Transfer Agent, for the Notes shall be the entity specified hereon as the Issuing and Paying Agent, the Agent Bank, the Registrar and the Transfer Agent.

The Noteholders and the holders (the "**Couponholders**") of the coupons (the "**Coupons**") appertaining to the interest-bearing Notes in bearer form and where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

(i) The Notes of the Series of which this Note forms part (in these Conditions, the "**Notes**") are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Denomination Amount shown hereon.

(ii) This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Hybrid Note or a Note that does not bear interest (a "**Zero-Coupon Note**"), a combination of any of the foregoing or any other type of Note (depending upon the Interest and Redemption/Payment Basis shown on its face).

(iii) Bearer Notes are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero-Coupon Notes in which case references to interest (other than in relation to default interest referred to in Condition 7(h)) in these Conditions are not applicable.

(iv) Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

(b) Title

(i) Subject as set out below, title to the Bearer Notes and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Note, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Note, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Note, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Notes is represented by a Global Security (as defined in the Trust Deed) or a Global Certificate (as defined in the Trust Deed) and such Global Security or, as the case may be, Global Certificate is held by The Central Depository (Pte) Limited ("**CDP**"), each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by CDP as to the principal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such principal amount of Notes other than with respect to the payment of principal, interest and any other amounts in respect of the Notes, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by the Global Security or, as the case may be, the Global Certificate and held by CDP will be transferable only in accordance with the rules and procedures for the time being of CDP. For so long as any of the Notes is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by CDP, the record date for the purposes of determining entitlements to any payment of principal, interest and any other amounts in respect of the Notes shall, unless otherwise specified by the Issuer, be the date falling five (5) business days prior to the relevant payment date (or such other date as may be prescribed by CDP).

(iv) For so long as any of the Notes is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Notes (in which regard any certificate or other document issued by Euroclear and/or Clearstream, Luxembourg as to the principal amount of such Notes (as the case may be) standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such principal amount of such Notes other than with respect to the payment of principal, interest and any other amounts in respect of such Notes, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Registrar shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such Notes in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Noteholder**" and "**holder of Notes**" and related expressions, where the context requires, shall be construed accordingly). Notes which are represented by a Global Security or, as the case may be, a Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Notes is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by a common depositary for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, interest and any other amounts in respect of the Notes shall be the close of business on the Clearing System Business Day immediately prior to the relevant payment date, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January (or such other date as may be prescribed by Euroclear and/or Clearstream, Luxembourg).

(v) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) a common depositary for Euroclear and/or Clearstream, Luxembourg, (2) CDP and/or (3) any other clearing system, "**Noteholder**" means the bearer of any Bearer Note or the person in whose name a Registered Note is registered (as the case may be) and "**holder**" (in relation to a Note, Coupon or Talon) means the bearer of any Bearer Note, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be), "**Series**" means (A) (in relation to Notes other than Variable Rate Notes) a Tranche, together with any further Tranche or Tranches, which are (1) expressed to be consolidated and forming a single series and (2) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of interest and (B) (in relation to Variable Rate Notes) Notes which are identical in all respects (including as to listing) except for their respective issue prices and rates of interest and "**Tranche**" means Notes which are identical in all respects (including as to listing).

(vi) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. NO EXCHANGE OF NOTES AND TRANSFERS OF REGISTERED NOTES

(a) No Exchange of Notes

Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Denomination Amount may not be exchanged for Bearer Notes of another Denomination Amount. Bearer Notes may not be exchanged for Registered Notes.

(b) Transfer of Registered Notes

Subject to Conditions 2(e) and 2(f) below, one or more Registered Notes may be transferred (in the authorised denominations set out herein) upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Notes to be transferred together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior approval of the Trustee and the Registrar, or by the Registrar with the prior approval of the Issuer and the Trustee. A copy of the current regulations will be made available by the Registrar, at the expense of the Issuer, to any Noteholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Notes

In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five (5) business days of receipt of the form of transfer or Exercise Notice (as defined in Condition 6(b)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or a gazetted public holiday, on which banks are open for general business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).

(e) Transfers Free of Charge

Transfers of Notes and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the other Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the other relevant Transfer Agent may require) in respect of tax or charges.

(f) Closed Periods

No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days prior to any date on which the Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(c), (ii) after any such Note has been called for redemption, or (iii) during the period of 15 days ending on (and including) any Record Date as defined in Condition 7(b).

3. STATUS AND GUARANTEE

(a) Status of the Notes

The Notes and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and at least *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer from time to time outstanding.

(b) Guarantee

The due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Notes and the Coupons is unconditionally and irrevocably guaranteed by the Guarantors on a joint and several basis. The obligations of the Guarantors under the Guarantee (as defined under the Trust Deed) are contained in the Trust Deed. The payment obligations of each Guarantor under the Guarantee and the Trust Deed constitute direct, unconditional, unsubordinated and unsecured obligations of such Guarantor and shall at all times rank at least *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of such Guarantor.

4. NEGATIVE PLEDGE, FINANCIAL AND OTHER COVENANTS

(a) Each of the Issuer and the Guarantors has covenanted with the Trustee in the Trust Deed that, so long as any of the Notes remains outstanding (as defined in the Trust Deed), it will not create or permit to be created or have outstanding any security over the whole or any part of their respective undertakings, assets, property revenues or rights to receive dividends, present or future, save for:

(i) any security created over any asset existing on the date of this Trust Deed to secure any indebtedness which has been disclosed to the Trustee in writing on or prior to the date of this Trust Deed provided that the amount secured by any such security may not be increased;

(ii) any security interest arising by operation of law and in the ordinary course of trading so long as the Financial Indebtedness secured by that security interest is paid when due or contested in good faith and appropriately provisioned;

(iii) any netting and set-off arrangements arising in the ordinary course of the Group's banking arrangements;

(iv) any security interest approved by the Noteholders by way of an Extraordinary Resolution;

(v) any security interest provided for by one of the following transactions if the transaction does not secure payment or performance of an obligation:

(A) a transfer of an account or chattel paper;

(B) a commercial consignment; or

(C) a PPS Lease (as defined in the PPSA (as defined below));

(vi) any security interest incurred by any member of the Group including those described in sub-paragraphs (i) to (iv) above provided that, upon the incurrence thereof, the ratio of Consolidated Secured Debt to Consolidated EBIT (as defined below) is not more than 3.0 : 1.

(b) The Issuer has further covenanted with the Trustee in the Trust Deed that for so long as any of the Notes or Coupons remains outstanding, it will ensure that:

(i) the Consolidated Total Equity will not at any time be less than A$280,000,000;

(ii) the ratio of Consolidated Total Borrowings to Consolidated Total Equity will not at any time be more than 1.75 : 1;

(iii) the ratio of its Consolidated Secured Debt to Consolidated Total Assets will not at any time be more than 0.5 : 1; and

(iv) the ratio of Consolidated EBITDA to Consolidated Finance Charges will not at any time be less than 3.5 : 1.

For the purposes of these Conditions:

"**Consolidated EBIT**" means, in relation to any Reference Period, the operating profits of the Group before taxation for that Reference Period:

(A) before deducting any Consolidated Finance Charges; and

(B) before taking into account any items treated as exceptional or extraordinary items,

in each case, to the extent deducted or taken into account, as the case may be, for the purposes of determining the profits of the Group from ordinary activities before taxation;

"**Consolidated EBITDA**" means, in relation to any Reference Period, the Consolidated EBIT for that Reference Period before deducting any amount attributable to amortization of goodwill or depreciation of tangible assets;

"**Consolidated Finance Charges**" means, in relation to any Reference Period, the aggregate amount of interest, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of Financial Indebtedness of the Group whether accrued, paid or payable and whether or not capitalized by the Issuer or any of its subsidiaries in respect of that Reference Period:

(A) including the interest element of leasing and hire purchase payments; and

(B) including any amounts paid, payable or accrued by the Issuer or any of its subsidiaries to counterparties under any interest rate hedging instrument;

"**Consolidated Secured Debt**" means, at any particular time, the portion of Consolidated Total Liabilities secured by any security interest over any asset of the Group;

"**Consolidated Total Assets**" means, at any particular time, the consolidated amount of the book values of all the assets of the Group, determined as assets in accordance with generally accepted accounting principles in Australia;

"**Consolidated Total Borrowings**" means in relation to the Group, an amount (expressed in Australian dollars) for the time being, calculated on a consolidated basis, in accordance with generally accepted accounting principles in Australia, equal to the aggregate of:

(A) bank overdrafts and all other indebtedness in respect of any bank borrowings;

(B) the principal amount of the Notes or any bonds or debentures of any member of the Group whether issued for cash or a consideration other than cash;

(C) the liabilities of the Issuer under the Trust Deed or the Notes;

(D) all other indebtedness whatsoever of the Group for borrowed moneys; and

(E) any redeemable preference shares issued by any member of the Group and which are classified as debt or liability in the consolidated accounts of the Group,

provided that no indebtedness shall be included in a calculation of Consolidated Total Borrowings more than once;

"**Consolidated Total Equity**" means the amount (expressed in Australian dollars) for the time being, calculated in accordance with generally accepted accounting principles in Australia, equal to the aggregate of (without double-counting):

(A) the amount paid up or credited as paid up on the issued share capital of the Issuer; and

(B) the amounts standing to the credit of the capital and revenue reserves (including profit and loss account) of the Group on a consolidated basis,

all as shown in the then latest audited consolidated balance sheet of the Group but after:

(aa) making such adjustments as may be appropriate in respect of any variation in the issued and paid up share capital and the capital and revenue reserves set out in paragraph (B) above of the Group since the date of the latest audited consolidated balance sheet of the Group;

(bb) excluding any sums set aside for future taxation;

(cc) deducting:

(I) an amount equal to any distribution by any member of the Group out of profits earned prior to the date of the latest audited consolidated balance sheet of the Group and which have been declared, recommended or made since that date except so far as provided for in such balance sheet and/or paid or due to be paid to members of the Group;

(II) any debit balances on consolidated profit and loss account; and

(dd) including any amount attributable to minority interests;

"**Consolidated Total Liabilities**" means the aggregate of Consolidated Total Borrowings plus, insofar as not already taken into account, all other liabilities of the Group calculated in accordance with generally accepted accounting principles in Australia, including:

(A) current creditors, proposed dividends and other distributions to shareholders and taxation payable within 12 months;

(B) the principal amount raised by acceptances under any acceptance credit in favour of any member of the Group;

(C) the face amount of any bills of exchange (other than cheques) or other instruments upon which any member of the Group is liable as drawer, acceptor or endorser;

(D) all actual and contingent liabilities of whatsoever nature of any member of the Group including, without limitation, the maximum premium payable on a redemption of any debenture or other indebtedness of any member of the Group and all actual and contingent liabilities of any other person (including any shares and the principal amount of any debentures of any person) to the extent that such liabilities, shares or debentures are directly or indirectly guaranteed or secured by or are, directly or indirectly, the subject of an indemnity given by, or with a right of recourse against, any member of the Group;

(E) the aggregate of the principal amounts outstanding under all agreements or transactions entered into by any member of the Group for leasing, hire purchase, conditional sale or purchase on deferred terms, or provision of funds in support of obligations of third parties and similar transactions in relation to any property, and any other amounts due to creditors other than current creditors; and

(F) amounts standing to the credit of any deferred tax account or tax equalisation reserve,

provided that no liabilities shall be included in a calculation of Consolidated Total Liabilities more than once;

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(A) moneys borrowed;

(B) any amount raised under any acceptance credit, or bill acceptance, discount or endorsement facility;

(C) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(D) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with any applicable generally accepted accounting practices, be treated as a finance or capital lease;

(E) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(F) any redeemable shares where the holder has the right, or the right in certain conditions, to require redemption;

(G) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of the borrowing;

(H) consideration for the acquisition of assets or services payable more than 90 days after acquisition;

(I) any counter-indemnity obligations in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and

(J) (without double-counting) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (A) to (I) inclusive above;

"**PPSA**" means the Personal Properties Securities Act 2009 of Australia;

"**Reference Period**" means, in relation to any Test Date, the immediately preceding period of twelve (12) months ending on that Test Date; and

"**Test Date**" means the last day of the relevant financial half-years of the Group.

(c) The Issuer has also covenanted in the Trust Deed that it (i) will ensure that, at all times, the consolidated total assets of the Issuer and the Guarantors (taken as a whole) shall be at least 90 per cent. of the Consolidated Total Assets of the Group, and (ii) agrees and undertakes to cause its subsidiaries to become a Guarantor pursuant to the Trust Deed to ensure that, at all times, the consolidated total assets of the Issuer and the Guarantors (taken as a whole) shall be at least 90 per cent. of the Consolidated Total Assets of the Group.

5. RATE OF INTEREST

(I) INTEREST ON FIXED RATE NOTES

(a) Interest Rate and Accrual

Each Fixed Rate Note bears interest on its Calculation Amount (as defined in Condition 5(II)(e)) from the Interest Commencement Date (as defined in Condition 5(II)(e)) in respect thereof and as shown on the face of such Note at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of such Note in each year and on the Maturity Date shown on the face of such Note if that date does not fall on an Interest Payment Date.

The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date (and if the Interest Commencement Date is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the Maturity Date falls before the date on which the first payment of interest would otherwise be due. If the Maturity Date is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the Interest Commencement Date, as the case may be) to the Maturity Date will amount to the Final Broken Amount shown on the face of the Note.

Interest will cease to accrue on each Fixed Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Note is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(I) to the Relevant Date (as defined in Condition 8).

(b) Calculations

In the case of a Fixed Rate Note, interest in respect of a period of less than one (1) year will be calculated on the Day Count Fraction shown on the face of such Note.

(II) INTEREST ON FLOATING RATE NOTES OR VARIABLE RATE NOTES

(a) Interest Payment Dates

Each Floating Rate Note or Variable Rate Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date (and which corresponds numerically with such preceding Interest Payment Date or the Interest Commencement Date, as the case may be), provided that the Agreed Yield (as defined in Condition 5(II)(c)) in respect of any Variable Rate Note for any Interest Period (as defined below) relating to that Variable Rate Note shall be payable on the first day of that Interest Period. If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

Interest will cease to accrue on each Floating Rate Note or Variable Rate Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(II) to the Relevant Date.

(b) Rate of Interest - Floating Rate Notes

(i) Each Floating Rate Note bears interest at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Note, being (in the case of Notes which are denominated in Singapore Dollars) SIBOR (in which case such Note will be a SIBOR Note) or Swap Rate (in which case such Note will be a Swap Rate Note) or in any case (or in the case of Notes which are denominated in a currency other than Singapore Dollars) such other Benchmark as is set out on the face of such Note.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Note. The "**Spread**" is the percentage rate per annum specified on the face of such Note as being applicable to the rate of interest for such Note. The rate of interest so calculated shall be subject to Condition 5(V)(a).

The rate of interest payable in respect of a Floating Rate Note from time to time is referred to in these Conditions as the "**Rate of Interest**".

(ii) The Rate of Interest payable from time to time in respect of each Floating Rate Note will be determined by the Agent Bank on the basis of the following provisions:

(1) in the case of Floating Rate Notes which are SIBOR Notes:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(B) if no such rate appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) or if the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Interest Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX – SIBOR AND SWAP OFFER RATES – RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(C) if no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page as aforesaid) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Interest Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Interest Period commencing on such Interest Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Notes. The Rate of Interest for such Interest Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;

(D) if on any Interest Determination Date, two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Interest for the relevant Interest Period shall be determined in accordance with (C) above on the basis of the quotations of those Reference Banks providing such quotations; and

(E) if on any Interest Determination Date, one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Interest Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Notes which are Swap Rate Notes:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD Swap Offer" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);

(B) if on any Interest Determination Date, no such rate is quoted on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) or the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will, at or about the Relevant Time on the relevant Interest Determination Date in respect of each Interest Period, determine the Rate of Interest for such Interest Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Interest Determination Date and for a period equal to the duration of such Interest Period and as adjusted by the Spread (if any);

(C) if on any Interest Determination Date, no such rate is quoted on Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Rate of Interest for such Interest Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest 1/16 per cent.)) for a period equal to the duration of such Interest Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as may be agreed between the Agent Bank and the Issuer; and

(D) if on any Interest Determination Date, the Agent Bank is otherwise unable to determine the Rate of Interest under paragraph (b)(ii)(2)(C) above or if no agreement on the relevant authority is reached between the Agent Bank and the Issuer under paragraph (b)(ii)(2)(C) above, the Rate of Interest shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about 11.00 a.m. (Singapore time) on the first business day following such Interest Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Interest Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Notes for such Interest Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Agent Bank with such quotation, the Rate of Interest for the relevant Interest Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Interest Determination Date and as adjusted by the Spread (if any);

(3) in the case of Floating Rate Notes which are not SIBOR Notes or Swap Rate Notes or which are denominated in a currency other than Singapore Dollars, the Agent Bank will determine the Rate of Interest in respect of any Interest Period at or about the Relevant Time on the Interest Determination Date in respect of such Interest Period as follows:

(A) if the Primary Source (as defined below) for the Floating Rate is a Screen Page (as defined below), subject as provided below, the Rate of Interest in respect of such Interest Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or

(bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Interest Determination Date, and as adjusted by the Spread (if any);

(B) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Interest Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Interest Determination Date, subject as provided below, the Rate of Interest shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Interest Determination Date and as adjusted by the Spread (if any); and

(C) if paragraph (b)(ii)(3)(B) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Interest shall be the Rate of Interest determined on the previous Interest Determination Date.

(iii) On the last day of each Interest Period, the Issuer will pay interest on each Floating Rate Note to which such Interest Period relates at the Rate of Interest for such Interest Period.

(iv) For the avoidance of doubt, in the event that the Rate of Interest in relation to any Interest Period is less than zero, the Rate of Interest in relation to such Interest Period shall be equal to zero.

(c) <u>Rate of Interest - Variable Rate Notes</u>

(i) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (c). The interest payable in respect of a Variable Rate Note on the first day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**<u>Agreed Yield</u>**" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "**<u>Rate of Interest</u>**".

(ii) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall, subject as referred to in paragraph (c)(iv) below, be determined as follows:

(1) not earlier than 9.00 a.m. (Singapore time) on the ninth business day nor later than 3.00 p.m. (Singapore time) on the third business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(A) whether interest in respect of such Variable Rate Note is to be paid on the fifth day or the last day of such Interest Period;

(B) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and

(C) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest Period (an "**<u>Agreed Rate</u>**") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(2) if the Issuer and the Relevant Dealer shall not have agreed either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Singapore time) on the third business day prior to the commencement of such Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (1) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the rate per annum equal to the Fall Back Rate (as defined below) for such Interest Period.

(iii) The Issuer has undertaken to the Issuing and Paying Agent and the Agent Bank that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Singapore time) on the next following business day:

(1) notify the Issuing and Paying Agent and the Agent Bank of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(2) cause such Agreed Yield or, as the case may be, Agreed Rate for such Variable Rate Note to be notified by the Issuing and Paying Agent to the relevant Noteholder at its request.

(iv) For the purposes of sub-paragraph (ii) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer in respect of the Variable Rate Note(s) shall be the rate (the "**Fall Back Rate**") determined by reference to a Benchmark as stated on the face of such Variable Rate Note(s), being (in the case of Variable Rate Notes which are denominated in Singapore Dollars) SIBOR (in which case such Variable Rate Note(s) will be SIBOR Note(s)) or Swap Rate (in which case such Variable Rate Note(s) will be Swap Rate Note(s)) or (in any other case or in the case of Variable Rate Notes which are denominated in a currency other than Singapore Dollars) such other Benchmark as is set out on the face of such Variable Rate Note(s).

Such rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Variable Rate Note. The "**Spread**" is the percentage rate per annum specified on the face of such Variable Rate Note as being applicable to the rate of interest for such Variable Rate Note.

The rate of interest so calculated shall be subject to Condition 5(V)(a).

The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Agent Bank in accordance with the provisions of Condition 5(II)(b)(ii) (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean "**Fall Back Rate**".

(v) If interest is payable in respect of a Variable Rate Note on the first day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Agreed Yield applicable to such Variable Rate Note for such Interest Period on the first day of such Interest Period. If interest is payable in respect of a Variable Rate Note on the last day of an Interest Period relating to such Variable Rate Note, the Issuer will pay the Interest Amount for such Variable Rate Note for such Interest Period on the last day of such Interest Period.

(d) Minimum Rate of Interest

If the applicable Pricing Supplement specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with Condition 5(II)(b) or Condition 5(II)(c) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

Unless otherwise stated in the applicable Pricing Supplement, the Minimum Rate of Interest shall be deemed to be zero per cent.

(e) Definitions

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means a day (other than a Saturday, Sunday or gazetted public holiday) on which:

(a) commercial banks are open for general business in the Commonwealth of Australia ("**Australia**");

(b) (i) (in the context of Notes denominated in Singapore Dollars) commercial banks are open for general business in Singapore, (ii) (in the context of Notes denominated in euro) the TARGET System is open for settlement of payment in euro, and (iii) (in the context of Notes denominated in a currency other than Singapore Dollars and euro) commercial banks are open for general business in Singapore and the principal financial centre for that currency; and

(c) CDP, Euroclear and/or Clearstream, Luxembourg, as applicable, is/are operating;

"**Calculation Amount**" means the amount specified as such on the face of any Note, or if no such amount is so specified, the Denomination Amount of such Note as shown on the face thereof;

"**euro**" means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified as the Interest Commencement Date on the face of such Note;

"**Interest Determination Date**" means, in respect of any Interest Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Note;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service ("**Reuters**")) agreed by the Agent Bank;

"**Reference Banks**" means the institutions specified as such in the applicable Pricing Supplement or, if none, three major banks selected by the Agent Bank in the interbank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Notes are denominated;

"**Relevant Dealer**" means, in respect of any Variable Rate Note, the Dealer party to the Programme Agreement referred to in the Agency Agreement with whom the Issuer has concluded or is negotiating an agreement for the issue of such Variable Rate Note pursuant to the Programme Agreement;

"**Relevant Financial Centre**" means, in the case of interest to be determined on an Interest Determination Date with respect to any Floating Rate Note or Variable Rate Note, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Interest Period;

"**Relevant Time**" means, with respect to any Interest Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, Reuters as may be specified in the applicable Pricing Supplement for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(III) INTEREST ON HYBRID NOTES

(a) Interest Rate and Accrual

Each Hybrid Note bears interest on its Calculation Amount from the Interest Commencement Date in respect thereof and as shown on the face of such Note.

(b) Fixed Rate Period

(i) In respect of the Fixed Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Fixed Rate Period at the rate per annum (expressed as a percentage) equal to the Interest Rate shown on the face of such Note payable in arrear on each Interest Payment Date or Interest Payment Dates shown on the face of the Note in each year and on the last day of the Fixed Rate Period if that date does not fall on an Interest Payment Date.

(ii) The first payment of interest will be made on the Interest Payment Date next following the first day of the Fixed Rate Period (and if the first day of the Fixed Rate Period is not an Interest Payment Date, will amount to the Initial Broken Amount shown on the face of such Note), unless the last day of the Fixed Rate Period falls before the date on which the first payment of interest would otherwise be due. If the last day of the Fixed Rate Period is not an Interest Payment Date, interest from the preceding Interest Payment Date (or from the first day of the Fixed Rate Period, as the case may be) to the last day of the Fixed Rate Period will amount to the Final Broken Amount shown on the face of the Note.

(iii) Where the due date of redemption of any Hybrid Note falls within the Fixed Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of principal (or the Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.

(iv) In the case of a Hybrid Note, interest in respect of a period of less than one (1) year will be calculated on the Day Count Fraction specified hereon during the Fixed Rate Period.

(c) Floating Rate Period

(i) In respect of the Floating Rate Period shown on the face of such Note, each Hybrid Note bears interest on its Calculation Amount from the first day of the Floating Rate Period, and such interest will be payable in arrear on each interest payment date ("**Interest Payment Date**"). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Interest Period on the face of the Note (the "**Specified Number of Months**") after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the first day of the Floating Rate Period (and which corresponds numerically with such preceding Interest Payment Date or the first day of the Floating Rate Period, as the case may be). If any Interest Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a business day, then if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (1) such date shall be brought forward to the immediately preceding business day and (2) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

(ii) The period beginning on (and including) the first day of the Floating Rate Period and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date is herein called an "**Interest Period**".

(iii) Where the due date of redemption of any Hybrid Note falls within the Floating Rate Period, interest will cease to accrue on the Note from the due date for redemption thereof unless, upon due presentation thereof, payment of principal (or Redemption Amount, as the case may be) is improperly withheld or refused, in which event interest will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 5(III) to the Relevant Date.

(iv) The provisions of Condition 5(II)(b) and Condition 5(II)(d) shall apply to each Hybrid Note during the Floating Rate Period as though references therein to Floating Rate Notes are references to Hybrid Notes.

(IV) ZERO-COUPON NOTES

Where a Note the Interest Basis of which is specified to be Zero-Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note (determined in accordance with Condition 6(h)). As from the Maturity Date, the rate of interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as defined in Condition 6(h)(ii)).

(V) CALCULATIONS IN RESPECT OF FLOATING RATE NOTES, VARIABLE RATE NOTES AND HYBRID NOTES

(a) Determination of Rate of Interest and Calculation of Interest Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Interest Determination Date determine the Rate of Interest and calculate the amount of interest payable (the "**Interest Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Notes, Variable Rate Notes or (where applicable) Hybrid Notes for the relevant Interest Period (including the first day, but excluding the last day, of such Interest Period). The amount of interest payable in respect of any Note shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount, by the Day Count Fraction shown on the Note and rounding the resultant figure to the nearest sub-unit of the relevant currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Agent Bank will cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to the Issuing and Paying Agent, the Guarantors, the Trustee, the Issuer and (in the case of Floating Rate Notes) to be notified to Noteholders in accordance with Condition 16 as soon as possible after their determination but in no event later than the fourth business day thereafter. The Interest Amounts and the Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period by reason of any Interest Payment Date not being a business day. If the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes become due and payable under Condition 10, the Rate of Interest and Interest Amounts payable in respect of the Floating Rate Notes, Variable Rate Notes or, as the case may be, Hybrid Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest and Interest Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Agent Bank does not at any material time determine or calculate the Rate of Interest for an Interest Period or any Interest Amount, the Trustee shall do so. In doing so, the Trustee shall apply the foregoing provisions of this Condition 5, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(d) Agent Bank and Reference Banks

The Issuer will procure that, so long as any Floating Rate Note, Variable Rate Note or Hybrid Note remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Note, Variable Rate Note, Hybrid Note or Zero-Coupon Note remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank or Agent Bank (acting through its relevant office) is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Interest for any Interest Period or to calculate the Interest Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

6. REDEMPTION AND PURCHASE

(a) Redemption at Maturity Date

Unless previously redeemed or purchased and cancelled as provided below, this Note will be redeemed at its Redemption Amount on the Maturity Date shown on its face (if this Note is shown on its face to be a Fixed Rate Note, Hybrid Note (during the Fixed Rate Period) or

Zero-Coupon Note) or on the Interest Payment Date falling in the Redemption Month shown on its face (if this Note is shown on its face to be a Floating Rate Note, Variable Rate Note or Hybrid Note (during the Floating Rate Period)).

So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(b) Redemption at Option of Noteholder

(i) General: If so provided hereon, the Issuer shall, at the option of the holder of any Note, redeem such Note on the date or dates so provided at its Redemption Amount, together with interest accrued to the date fixed for redemption. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or the Transfer Agent at its specified office, together with a duly completed option exercise notice (the "**Exercise Notice**") in the form obtainable from the Issuing and Paying Agent or the Issuer (as applicable) within the Noteholder's Redemption Option Period shown on the face hereof. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(ii) Cessation or Suspension of Trading of the Shares of the Issuer: If, for any reason, a Relevant Event occurs, the Issuer will within seven days of such occurrence give notice to the Noteholders of the occurrence of such event (the "**Relevant Event Redemption Notice**") and shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption, on the date falling 60 days from the date of the Relevant Event Redemption Notice (or if such date is not a business day, on the next day which is a business day). To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent at its specified office or (in the case of Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed Exercise Notice in the form obtainable from any Paying Agent, the Registrar, any Transfer Agent or the Issuer (as applicable), no later than 30 days from the date of the Notice. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

For the purposes of the Conditions, a "**Relevant Event**" occurs:

(i) when the shares of the Issuer cease to be listed or admitted to trading on the Australian Stock Exchange ("**ASX**"); or

(ii) when trading in the shares of the Issuer on the ASX is suspended for a period equal to or exceeding fourteen (14) days.

(iii) Change of Control Event: If, for any reason, a Change of Control Event occurs, the Issuer will within seven days of such occurrence give notice to the Noteholders of the occurrence of such event (the "**CoC Event Redemption Notice**") and shall, at the option of the holder of any Note, redeem such Note at its Redemption Amount, together with interest accrued to (but excluding) the date fixed for redemption, on the date falling 60 days from the date of the CoC Event Redemption Notice (or if such date is not a business day, on the next day which is a business day). To exercise such option, the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with any Paying Agent at its specified office or (in the case of Registered Note) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed Exercise Notice in the form obtainable from any Paying Agent, the

Registrar, any Transfer Agent or the Issuer (as applicable), no later than 30 days from the date of the Notice. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

For the purposes of the Conditions, a "**Change of Control Event**" means an event where a party which has voting power (as that term is defined in the Corporations Act of Australia) in respect of the Issuer of 50 per cent. or less as at the Issue Date obtains voting power of more than 50 per cent., but will not include the following circumstances:

(i) where some or all of the increase in voting power arises from an agreement that is conditional; or

(ii) where the increase in voting power arises because of a relevant interest that a person has under section 608(3)(a) of the Corporations Act of Australia.

(c) Redemption at Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Noteholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Notes at their Redemption Amount or integral multiples thereof, and on the date or dates so provided. Any such redemption of Notes shall be at their Redemption Amount, together with interest accrued to the date fixed for redemption.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition 6(c).

In the case of a partial redemption of the Notes, the notice to Noteholders shall also contain details as to the manner of redemption which shall be in such place and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of the relevant clearing system, each competent authority and/or Stock Exchange. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of Notes.

(d) Purchase at the Option of the Issuer

If so provided hereon, the Issuer shall have the option to purchase all or any of the Fixed Rate Notes, Floating Rate Notes, Variable Rate Notes or Hybrid Notes at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Noteholders shall be bound to sell such Notes to the Issuer accordingly. To exercise such option, the Issuer shall give irrevocable notice to the Noteholders within the Issuer's Purchase Option Period shown on the face hereof. Such Notes may be held, resold or surrendered to the Issuing and Paying Agent for cancellation. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

In the case of a purchase of some only of the Notes, the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes or, in the case of Registered Notes, shall specify the principal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be purchased, which shall have been drawn by or on behalf of the Issuer in such place and in such manner as may be agreed between the Issuer and the Trustee, subject to compliance with any applicable laws. So long as the Notes are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any purchase of Notes.

(e) Purchase at the Option of Noteholders

(i) Each Noteholder shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) any Variable Rate

Notes to be purchased (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Variable Rate Notes to be purchased with the Registrar or the Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent within the Noteholders' VRN Purchase Option Period shown on the face hereof. Any Variable Rate Notes or Certificates so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Variable Rate Notes may be held, resold or surrendered for cancellation (in the case of Bearer Notes) by surrendering such Variable Rate Notes (together with all unmatured Coupons and unexchanged Talons) to the Issuing and Paying Agent and (in the case of Registered Notes) by surrendering the Certificate representing such Variable Rate Notes to the Registrar. The Variable Rate Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(ii) If so provided hereon, each Noteholder shall have the option to have all or any of his Fixed Rate Notes, Floating Rate Notes or Hybrid Notes purchased by the Issuer at their Redemption Amount on any date on which interest is due to be paid on such Notes and the Issuer will purchase such Notes accordingly. To exercise such option, a Noteholder shall deposit (in the case of Bearer Notes) such Note (together with all unmatured Coupons and unexchanged Talons) with the Issuing and Paying Agent at its specified office or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or the Transfer Agent at its specified office, together with a duly completed option exercise notice in the form obtainable from the Issuing and Paying Agent within the Noteholders' Purchase Option Period shown on the face hereof. Any Notes so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer. Such Notes may be held, resold or surrendered for cancellation (in the case of Bearer Notes) by surrendering such Notes (together with all unmatured Coupons and unexchanged Talons) to the Issuing and Paying Agent and (in the case of Registered Notes) by surrendering the Certificate representing such Notes to the Registrar. The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Noteholders or for the purposes of Conditions 10, 11 and 12.

(f) Redemption for Taxation Reasons

If so provided hereon, the Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Redemption Amount or (in the case of Zero-Coupon Notes) Early Redemption Amount (as defined in Condition 6(h)) (together with interest accrued to (but excluding) the date fixed for redemption), if (i) the Issuer (or if the Guarantee was called, the Guarantors) has or will become obliged to pay additional amounts as provided or referred to in Condition 8, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Australia or, as the case may be, Singapore or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement, and (ii) such obligations cannot be avoided by the Issuer (or the Guarantors, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantors, as the case may be) would be obliged to pay such additional amounts were a payment in respect of the Notes (or the Guarantee, as the case may be) then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or the Guarantors, as the case may be) shall deliver to the Issuing and Paying Agent a certificate signed by a duly authorised officer of the Issuer (or the Guarantors, as the case may be) stating that the Issuer (or the Guarantors, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the Guarantors, as the case may be) so to redeem have occurred, and an opinion of independent legal or tax advisors of recognised standing to the effect that the Issuer (or the Guarantors, as the case may be) has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

(g) Purchases

The Issuer or any of its related corporations may at any time purchase Notes at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Notes purchased by the Issuer or any of its related corporations may be surrendered by the purchaser through the Issuer to the Issuing and Paying Agent for cancellation or may at the option of the Issuer or the relevant related corporation be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(h) Early Redemption of Zero-Coupon Notes

(i) The Early Redemption Amount payable in respect of any Zero-Coupon Note, the Early Redemption Amount of which is not linked to an index and/or formula, upon redemption of such Note pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10, shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(ii) Subject to the provisions of Condition 6(h)(iii), the Amortised Face Amount of any such Note shall be the scheduled Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(iii) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(f) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in Condition 6(h)(ii), except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this Condition 6(h)(iii) will continue to be made (as well after as before judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Redemption Amount of such Note on the Maturity Date together with any interest which may accrue in accordance with Condition 5(IV).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(i) Cancellation

All Notes purchased by or on behalf of the Issuer or any of its related corporations may be surrendered for cancellation (in the case of Bearer Notes) by surrendering each such Note together with all unmatured Coupons and all unexchanged Talons to the Issuing and

Paying Agent at its specified office and (in the case of Registered Notes) by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes or Certificates so surrendered for cancellation may not be reissued or resold.

7. PAYMENTS

(a) Principal and Interest in respect of Bearer Notes

Payments of principal (or, as the case may be, Redemption Amounts) and interest in respect of Bearer Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Notes or Coupons, as the case may be, at the specified office of the Issuing and Paying Agent by a cheque drawn in the currency in which that payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in that currency with a bank in the principal financial centre for that currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Principal and Interest in respect of Registered Notes

(i) Payments of principal in respect of Registered Notes will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in this Condition 7(b).

(ii) Interest on Registered Notes shall be paid to the person shown on the Register at the close of business on the date falling five (5) business days prior to the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any other Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(c) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the Agent Bank, the Transfer Agent and the Registrar initially appointed by the Issuer and their respective specified offices are listed below. The Issuer and the Guarantors reserve the right at any time to vary or terminate the appointment of any of the Agents in accordance with the terms of the Agency Agreement and to appoint additional or other Agents, provided that they will at all times maintain (i) an Issuing and Paying Agent having a specified office in Singapore (ii) a Transfer Agent in relation to Registered Notes, having a specified office in Singapore, (iii) a Registrar in relation to Registered Notes, having a specified office in Singapore and (iv) a Agent Bank where the Conditions so require.

Notice of any such change or any change of any specified office will promptly be given to the Noteholders in accordance with Condition 16.

So long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, the Issuer will appoint and maintain an issuing and paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption. In addition, for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is *exchanged for definitive Certificates, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Securities or, as the case may be, the definitive Certificates, including details of the paying agent in Singapore.*

The Agency Agreement may be amended by the Issuer, the Guarantors, the Trustee and the Agents without the consent of any Noteholder or Couponholder, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein. Any such amendment shall be binding on the holders of the Notes and Coupons.

(e) Unmatured Coupons and unexchanged Talons

(i) Bearer Notes which comprise Fixed Rate Notes and Hybrid Notes should be surrendered for payment together with all unmatured Coupons (if any) relating to such Notes (and, in the case of Hybrid Notes, relating to interest payable during the Fixed Rate Period), failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within the prescription period relating thereto under Condition 9.

(ii) Subject to the provisions of the relevant Pricing Supplement upon the due date for redemption of any Floating Rate Note, Variable Rate Note or Hybrid Note, unmatured Coupons relating to such Note (and, in the case of Hybrid Notes, relating to interest payable during the Floating Rate Period) (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Note comprising a Floating Rate Note, Variable Rate Note or Hybrid Note is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it (and, in the case of the Hybrid Note, relating to interest payable during the Floating Rate Period), redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption or repayment of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate.

(f) Talons

On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9.

(g) Non-business days

Subject as provided in the relevant Pricing Supplement and/or in these Conditions, if any date for the payment in respect of any Note or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay.

(h) Default Interest

If on or after the due date for payment of any sum in respect of the Notes, payment of all or any part of such sum is not made against due presentation of the Notes or, as the case may be, the Coupons, the Issuer shall pay interest on the amount so unpaid from such due date up to the day of actual receipt by the relevant Noteholders or, as the case may be, Couponholders (as well after as before judgment) at a rate per annum determined by the Issuing and Paying Agent to be equal to two per cent. per annum above (in the case of a Fixed Rate Note or a Hybrid Note during the Fixed Rate Period) the Interest Rate applicable to such Note, (in the case of a Floating Rate Note or a Hybrid Note during the Floating Rate Period) the Rate of Interest applicable to such Note or (in the case of a Variable Rate Note) the variable rate by which the Agreed Yield applicable to such Note is determined or, as the case may be, the Rate of Interest applicable to such Note, or in the case of a Zero-Coupon Note, as provided for in the relevant Pricing Supplement. So long as the default continues then such rate shall be re-calculated on the same basis at intervals of such duration as the Issuing and Paying Agent may select, save that the amount of unpaid interest at the above rate accruing during the preceding such period shall be added to the amount in respect of which the Issuer is in default and itself bear interest accordingly. Interest at the rate(s) determined in accordance with this paragraph shall be calculated on the Day Count Fraction specified hereon and the actual number of days elapsed, shall accrue on a daily basis and shall be immediately due and payable by the Issuer.

8. TAXATION

All payments in respect of the Notes and Coupons by or on behalf of the Issuer or, as the case may be, each Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the relevant jurisdiction of its incorporation or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor shall pay such additional amounts as will result in the receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required.

As used in these Conditions, "**Relevant Date**" in respect of any Note or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven (7) days after that on which notice is duly given to the Noteholders in accordance with Condition 16 that, upon further presentation of the Bearer Note (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Notes, all Redemption Amounts, Early Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 6, "**interest**" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 4 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**interest**" and/or "**Early Redemption Amounts**" shall be deemed to include any additional amounts which may be payable under these Conditions.

9. PRESCRIPTION

Claims against the Issuer and/or the Guarantors for payment in respect of the Notes and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within ten (10) years (in the case of principal) or five (5) years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by the holders of at least 25 per cent. in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, give notice in writing to the Issuer that the Notes are immediately repayable, whereupon the Redemption Amount of such Notes or (in the case of Zero Coupon Notes) the Early Redemption Amount of such Notes together with accrued interest to the date of payment shall immediately become due and payable:

(a) the Issuer or any of the Guarantors do not pay (i) any principal payable by it under any of the Notes when due unless its failure to pay is caused by administrative or technical error beyond the control of the Issuer and payment is made within two (2) business days after the due date, or (ii) any interest payable by it under any of the Notes when due and such default continues for a period of two (2) business days after the due date;

(b) the Issuer or any of the Guarantors fails to perform or comply with any one or more of its obligations, (other than the payment obligation referred to in Condition 10(a) under the Trust Deed) under any of the Transaction Documents (as defined in the Trust Deed) or any of the Notes and, if in the opinion of the Trustee the default is capable of remedy, it is not remedied 30 days after notice of default shall have been given by the Trustee or any Noteholder to the Issuer or, as the case may be, such Guarantor;

(c) any representation, warranty or statement by the Issuer or any of the Guarantors in the Trust Deed or any of the Notes or in any document delivered under the Trust Deed or any of the Notes is not complied with in any respect or is or proves to have been incorrect in any respect when made or deemed repeated and, if in the opinion of the Trustee the event resulting in such non-compliance or incorrect representation, warranty or statement is capable of remedy, it is not in the opinion of the Trustee remedied within 30 days after notice of such non-compliance or incorrectness shall have been given by the Trustee or any Noteholder to the Issuer or, as the case may be, such Guarantor;

(d) (i) (A) (I) any other present or future indebtedness of the Issuer or any of the Guarantors in respect of borrowed money is or is declared to be or is capable of being rendered due and payable before its stated maturity by reason of any actual or potential default, event of default or the like (however described), (II) any such indebtedness of the Issuer or any of the Guarantors in respect of borrowed money is not paid when due or (B) as a result of any actual or potential default, event of default or the like (however described), any facility relating to any such indebtedness is or is capable of being declared to be or is or is capable of being cancelled or terminated before its normal expiry date or any person otherwise entitled to use any such facility is not so entitled; or

(ii) the Issuer or any of the Guarantors fails to pay when due or expressed to be due, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised.

However, no Event of Default will occur under this Condition 10(d)(i) or 10(d)(ii) unless and until the aggregate amount of the indebtedness in respect of which one or more of the events mentioned above in this Condition 10(d) has/have occurred equals or exceeds A$2,000,000 or its equivalent in other currency or currencies;

(e) the Issuer or any of the Guarantors (i) ceases or threatens to cease to carry on all or any part of its business, operations and undertakings or (ii) (otherwise than in the ordinary course of its business or as permitted by, and in accordance with, Clause 16(aa) of the Trust Deed) disposes or threatens to dispose of the whole or any part of its property or assets;

(f) any corporate action or legal proceeding is taken with a view to the winding-up of the Issuer or any Guarantor or for the appointment of a liquidator (including a provisional liquidator), receiver, judicial manager, trustee, administrator, agent or similar officer of the Issuer or any Guarantor or over all or any part of the assets of the Issuer or any Guarantor (except (1) in the case of a voluntary liquidation or winding-up of a subsidiary not involving insolvency) for the purpose of and followed by an amalgamation, reconstruction, reorganisation, merger or consolidation and such event is not likely to have a material adverse effect (as defined in the Trust Deed) on the Issuer (2) on terms approved by the Noteholders by way of an Extraordinary Resolution before such event occurs);

(g) the Issuer or any Guarantor is (or is deemed by law or a court to be) insolvent or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or any part of (or a particular type of) its indebtedness, takes any proceeding for the deferral, rescheduling or other readjustment of all or any part of (or a particular type of) its indebtedness (or of any part which it will or might otherwise be unable to pay when due), makes a general assignment or an arrangement or scheme or composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or any part of (or a particular type of) its indebtedness;

(h) a distress, attachment or execution or other legal process is levied, enforced or sued out on or against all or any material part of the assets of the Issuer or any Guarantor and is not discharged or stayed within 30 days;

(i) any security on or over the whole or any material part of the assets of the Issuer or any Guarantor becomes enforceable;

(j) any step is taken by any person with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or any material part of the assets of the Issuer or any Guarantor;

(k) any action, condition or thing (including the obtaining of any necessary consent) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and each of the Guarantors lawfully to enter into, exercise its rights and perform and comply with its obligations under each of the Transaction Documents and the Notes, (ii) to ensure that those obligations are valid, legally binding and enforceable, (iii) to ensure that those obligations rank and will at all times rank in accordance with Condition 2 or (iv) to make the Transaction Documents and the Notes admissible in evidence in the courts of Singapore is not taken, fulfilled or done, or any such consent ceases to be in full force and effect without modification or any condition in or relating to any such consent is not complied with (unless that consent or condition is no longer required or applicable);

(l) any Transaction Document, any Note or the Guarantee is or becomes (or is claimed to be by the Issuer, a Guarantor or anyone on their behalf) wholly or partly void, voidable or unenforceable or any Transaction Document, any Note or the Guarantee ceases to have full force and effect or its validity or enforceability is declared by any court of competent jurisdiction to be void or unenforceable;

(m) any litigation, arbitration or administrative proceeding (other than those of a frivolous or vexatious nature and discharged within 60 days of its commencement) is current or pending against the Issuer or any Guarantor (i) to restrain the entry into, exercise of any of the rights and/or the performance or enforcement of or compliance with any of the obligations of the Issuer or any Guarantor under the Transaction Documents or any of the Notes or (ii) which has or could have a material adverse effect on the Issuer or the Group;

(n) any event occurs which, under the laws of any relevant jurisdiction, has in the Trustee's opinion, an analogous effect to any of the events referred to in Condition 10(f), 10(g), 10(h), 10(i) or 10(j); and

(p) the Issuer, the Guarantors or any of their respective subsidiaries is declared by the Minister of Finance to be a declared company under the provisions of Part IX of the Companies Act (as defined in the Trust Deed).

In these Conditions:

"**related corporations**" has the meaning ascribed to it in section 6 of the Companies Act; and

"**subsidiary**" has the meaning ascribed to it in Section 5 of the Companies Act.

11. ENFORCEMENT

At any time after the Notes shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or any or all of the Guarantors as it may think fit to enforce repayment of the Notes, together with accrued interest, but it shall not be bound to take any such proceedings unless (a) it shall have been so requested in writing by the holders of not less than 25 per cent. in principal amount of the Notes outstanding or so directed by an Extraordinary Resolution and (b) it shall have been indemnified and/or secured by the Noteholders to its satisfaction. No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any of the Guarantors unless the Trustee, having become bound to do so, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

12. MEETING OF NOTEHOLDERS AND MODIFICATIONS

(a) The Trust Deed contains provisions for convening meetings of Noteholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Notes of such Series (including these Conditions insofar as the same may apply to such Notes) or any of the provisions of the Trust Deed.

(b) The Trustee or the Issuer or any of the Guarantors at any time may, and the Trustee upon the request in writing at the time after any Notes of any Series shall have become repayable due to default by Noteholders holding not less than 10 per cent. in principal amount of the Notes of any Series for the time being outstanding shall, convene a meeting of the Noteholders of that Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders of the relevant Series (save where provided to the contrary in the Trust Deed and these Conditions), whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates of interest or the basis for calculating any amount of interest in respect of the Notes, (iv) to vary the currency or currencies of payment or denomination of the Notes, (v) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply, (vi) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution or (vii) to vary any method of, or basis for, calculating the Redemption Amount or the Early Redemption Amount including the calculation of the Amortised Face Amount, will only be binding if passed at a meeting of the Noteholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

(c) The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification (subject to certain exceptions mentioned in the Trust Deed) of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders or may agree, without any such consent as aforesaid, to any modification, waiver or authorisation which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Notes may be held. Any such modification, waiver or authorisation shall be binding on the Noteholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Noteholders as soon as practicable.

(d) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Guarantors, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders.

(e) These Conditions may be amended, modified, or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(f) For the purpose of ascertaining the right to attend and vote at any meeting of the Noteholders convened for the purpose of and in relation to Clauses 9.2 and 28, Conditions 10, 11 and 12 and Schedule 9 to the Trust Deed, those Notes (if any) which are beneficially held by, or are held on behalf of the Issuer and any of its related corporations and not cancelled shall (unless and until ceasing to be so held) be disregarded when determining whether the requisite quorum of such meeting has been met and any votes cast or purported to be cast at such meeting in respect of such Notes shall be disregarded and be null and void.

13. REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Certificate, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, at the specified office of (in the case of Bearer Notes, Coupons or Talons) the Issuing and Paying Agent or (in the case of Certificates) the Registrar (or at the specified office of such other Agent or, as the case may be, Transfer Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to the Noteholders in accordance with Condition 16) upon payment by the claimant of the costs, expenses and duties incurred in connection with the replacement and on such terms as to evidence, undertaking, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Note, Certificate, Coupon or Talon) or otherwise as the Issuer and/or the Guarantors may reasonably require. Mutilated or defaced Notes, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

14. FURTHER ISSUES

Subject always to the Issuer's obligations under the Trust Deed, the Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes of any Series and so that the same shall be consolidated and form a single Series with such Notes, and references in these Conditions to "**Notes**" shall be construed accordingly.

15. INDEMNIFICATION OF THE TRUSTEE AND ITS CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantors or the Group or any of their respective related corporations and to act as trustee of the holders of any other securities issued by, or relating to, the Issuer, the Guarantors or the Group, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders, and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. NOTICES

Notices to the holders of Bearer Notes will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Bearer Notes can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication in Singapore will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

Notices to the holders of Registered Notes shall be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Notes in accordance with this Condition 16.

So long as the Notes are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate is held in its entirety on behalf of CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg, there may be be substituted for such publication in such newspapers the delivery of the relevant notice to (subject to the agreement of CDP) CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg for communication by it to the Noteholders, except that if the Notes are listed on the Singapore Exchange Securities Trading Limited and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Noteholders on the seventh day after the day on which the said notice was given to CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Note or Notes, with (in the case of Bearer Notes) the Issuing and Paying Agent or (in the case of Certificates) the Registrar. Whilst the Notes are represented by a Global Security or a Global Certificate, such notice may be given by any Noteholder to the Issuing and Paying Agent or, as the case may be, the Registrar through CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar and CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identity and addresses of all the Noteholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and such notices will be deemed to have been given when received at such addresses.

17. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Notes, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Notes or the Coupons may be brought in such courts. Each of the Issuer and the Guarantors has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) Service of Process

Each of the Issuer and the Guarantors (which are not incorporated in Singapore) have irrevocably appointed DrewCorp Services Pte Ltd as its agent in Singapore to receive, for it and on its behalf, service of process in any Proceedings in Singapore.

(d) No Immunity

Each of the Issuer and the Guarantors agrees that in any legal action or proceedings arising out of or in connection with these Conditions against it or any of its assets, no immunity (sovereign or otherwise) from such legal action or proceedings (which shall include, without limitation, suit, attachment prior to award, other attachment, the obtaining of an award, judgment, execution or other enforcement) shall be claimed by or on behalf of the Issuer or with respect to any of its assets and irrevocably waives any such right of immunity which it or any of its assets now have or may hereafter acquire or which may be attributed to it or any of its assets and consent generally in respect of any such legal action or proceedings to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, award or judgment which may be made or given in such action or proceedings.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT (CHAPTER 53B OF SINGAPORE)

No person shall have any right under the Contracts (Rights of Third Parties) Act (Chapter 53B of Singapore) to enforce any term or condition of this Note.

**ISSUING AND PAYING AGENT, AGENT BANK,
REGISTRAR AND TRANSFER AGENT**

DBS Bank Ltd.
10 Toh Guan Road
#04-11 (Level 4B)
DBS Asia Gateway
Singapore 608838

TERMS AND CONDITIONS OF THE PERPETUAL SECURITIES

The following is the text of the terms and conditions which, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, will be endorsed on the Perpetual Securities in definitive form (if any) issued in exchange for the Global Security(ies) or the Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Perpetual Securities. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on such Bearer Perpetual Securities or on the Certificates relating to such Registered Perpetual Securities. References in the Conditions to "Perpetual Securities" are to the Perpetual Securities of one Series only, not to all Perpetual Securities that may be issued under the Programme. Details of the relevant Series are being shown on the face of the relevant Perpetual Securities and in the relevant Pricing Supplement.

The Perpetual Securities are constituted by a trust deed (as amended, varied or supplemented, the "**Trust Deed**") dated 2 May 2014 made between (1) G8 Education Limited, as issuer (the "**Issuer**", which expression shall include its successors and permitted assigns), (2) the Guarantors (as defined in the Trust Deed), as guarantors. and (3) DBS Trustee Limited (the "**Trustee**", which expression shall wherever the context so admits include such company and all other persons for the time being the trustee or trustees of the Trust Deed), as trustee of the Perpetual Securityholders (as defined below), and (where applicable) the Perpetual Securities are issued with the benefit of a deed of covenant (as amended, varied or supplemented, the "**Deed of Covenant**") dated 2 May 2014, relating to the Perpetual Securities, executed by the Issuer. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bearer Perpetual Securities, Certificates, Coupons and Talons referred to below. The Issuer has entered into an agency agreement (as amended, varied or supplemented, the "**Agency Agreement**") dated 2 May 2014 made between (1) the Issuer, as issuer, (2) the Guarantors, as guarantors, (3) DBS Bank Ltd., as issuing and paying agent (in such capacity, the "**Issuing and Paying Agent**") (4) DBS Bank Ltd., as agent bank (in such capacity, the "**Agent Bank**"), (5) DBS Bank Ltd., as transfer agent (in such capacity, the "**Transfer Agent**"), (6) DBS Bank Ltd., as registrar (in such capacity, the "**Registrar**") and (7) the Trustee, as trustee. The Issuing and Paying Agent, which expression shall, wherever the context so admits, include any successor for the time being as Issuing and Paying Agent, (in the case of any Floating Rate Perpetual Securities) the Agent Bank, which expression shall, wherever the context so admits, include any successor for the time being as Agent Bank, (in the case of Registered Perpetual Securities) the Registrar, which expression shall, wherever the context so admits, include any successor for the time being as Registrar and (in the case of Registered Perpetual Securities) the Transfer Agent, which expression shall, wherever the context so admits, include any successor for the time being as Transfer Agent, for the Perpetual Securities shall be the entity specified hereon as the Issuing and Paying Agent, the Agent Bank, the Registrar and the Transfer Agent.

The Perpetual Securityholders and the holders (the "**Couponholders**") of the distribution coupons (the "**Coupons**") appertaining to the distribution-bearing Perpetual Securities in bearer form and, where applicable in the case of such Perpetual Securities, talons for further Coupons (the "**Talons**") are bound by and are deemed to have notice of all of the provisions of the Trust Deed, the Agency Agreement and the Deed of Covenant.

Copies of the Trust Deed, the Agency Agreement and the Deed of Covenant are available for inspection at the principal office of the Trustee for the time being and at the specified office of the Issuing and Paying Agent for the time being.

1. FORM, DENOMINATION AND TITLE

(a) Form and Denomination

(i) The Perpetual Securities of the Series of which this Perpetual Security forms part (in these Conditions, the "**Perpetual Securities**") are issued in bearer form ("**Bearer Perpetual Securities**") or in registered form ("**Registered Perpetual Securities**") in each case in the Denomination Amount shown hereon.

(ii) This Perpetual Security is a Fixed Rate Perpetual Security or a Floating Rate Perpetual Security (depending upon the Distribution Basis shown on its face).

(iii) Bearer Perpetual Securities are serially numbered and issued with Coupons (and, where appropriate, a Talon) attached.

(iv) Registered Perpetual Securities are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Perpetual Securities by the same holder.

(b) Title

(i) Subject as set out below, title to the Bearer Perpetual Securities and the Coupons and Talons appertaining thereto shall pass by delivery. Title to the Registered Perpetual Securities shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**").

(ii) Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Perpetual Security, Coupon or Talon shall be deemed to be and may be treated as the absolute owner of such Perpetual Security, Coupon or Talon, as the case may be, for the purpose of receiving payment thereof or on account thereof and for all other purposes, whether or not such Perpetual Security, Coupon or Talon shall be overdue and notwithstanding any notice of ownership, theft, loss or forgery thereof or any writing thereon made by anyone, and no person shall be liable for so treating the holder.

(iii) For so long as any of the Perpetual Securities is represented by a Global Security (as defined in the Trust Deed) or a Global Certificate (as defined in the Trust Deed) and such Global Security or, as the case may be, Global Certificate is held by The Central Depository (Pte) Limited ("**CDP**"), each person who is for the time being shown in the records of CDP as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by CDP as to the principal amount of such Perpetual Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such principal amount of Perpetual Securities other than with respect to the payment of principal, distribution and any other amounts in respect of the Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Perpetual Securityholder**" and "**holder of Securities**" and related expressions, where the context requires, shall be construed accordingly). Perpetual Securities which are represented by the Global Security or, as the case may be, the Global Certificate and held by CDP will be transferable only in accordance with the rules and procedures for the time being of CDP. For so long as any of the Perpetual Securities is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by CDP, the record date for the purposes of determining entitlements to any payment of principal, distribution and any other amounts in respect of the Perpetual Securities shall, unless otherwise specified by the Issuer, be the date falling five (5) business days prior to the relevant payment date (or such other date as may be prescribed by CDP).

(iv) For so long as any of the Perpetual Securities is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by a common depositary for Euroclear Bank S.A./N.V. ("**Euroclear**") and/or

Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"), each person who is for the time being shown in the records of Euroclear and/or Clearstream, Luxembourg as the holder of a particular principal amount of such Perpetual Securities (in which regard any certificate or other document issued by Euroclear and/ or Clearstream, Luxembourg as to the principal amount of such Perpetual Securities (as the case may be) standing to the account of any person shall be conclusive and binding for all purposes, save in the case of manifest error) shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such principal amount of such Perpetual Securities other than with respect to the payment of principal, distribution and any other amounts in respect of such Perpetual Securities, for which purpose the bearer of the Global Security or, as the case may be, the person whose name is shown on the Register shall be treated by the Issuer, the Guarantors, the Issuing and Paying Agent, the Agent Bank, the Transfer Agent, the Registrar and all other agents of the Issuer and the Trustee as the holder of such Perpetual Securities in accordance with and subject to the terms of the Global Security or, as the case may be, the Global Certificate (and the expressions "**Securityholder**" and "**holder of Securities**" and related expressions, where the context requires, shall be construed accordingly). Perpetual Securities which are represented by a Global Security or, as the case may be, a Global Certificate and held by Euroclear and/or Clearstream, Luxembourg will be transferable only in accordance with the rules and procedures for the time being of Euroclear and/or Clearstream, Luxembourg. For so long as any of the Perpetual Securities is represented by a Global Security or a Global Certificate and such Global Security or, as the case may be, Global Certificate is held by a common depositary for Euroclear and/or Clearstream, Luxembourg, the record date for the purposes of determining entitlements to any payment of principal, distribution and any other amounts in respect of the Perpetual Securities shall be the close of business on the Clearing System Business Day immediately prior to the relevant payment date, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January (or such other date as may be prescribed by Euroclear and/or Clearstream, Luxembourg).

(v) In these Conditions, "**Global Security**" means the relevant Temporary Global Security representing each Series or the relevant Permanent Global Security representing each Series, "**Global Certificate**" means the relevant Global Certificate representing each Series that is registered in the name of, or in the name of a nominee of, (1) a common depositary for Euroclear and/or Clearstream, Luxembourg, (2) CDP and/or (3) any other clearing system, "**Perpetual Securityholder**" means the bearer of any Bearer Perpetual Security or the person in whose name a Registered Perpetual Security is registered (as the case may be) and "**holder**" (in relation to a Perpetual Security, Coupon or Talon) means the bearer of any Bearer Perpetual Security, Coupon or Talon or the person in whose name a Registered Perpetual Security is registered (as the case may be), "**Series**" means a Tranche, together with any further Tranche or Tranches, which are (1) expressed to be consolidated and forming a single series and (2) identical in all respects (including as to listing) except for their respective issue dates, issue prices and/or dates of the first payment of distribution and "**Tranche**" means Perpetual Securities which are identical in all respects (including as to listing).

(vi) Words and expressions defined in the Trust Deed or used in the applicable Pricing Supplement (as defined in the Trust Deed) shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the applicable Pricing Supplement, the applicable Pricing Supplement will prevail.

2. NO EXCHANGE OF PERPETUAL SECURITIES AND TRANSFERS OF REGISTERED PERPETUAL SECURITIES

(a) No Exchange of Perpetual Securities

Registered Perpetual Securities may not be exchanged for Bearer Perpetual Securities. Bearer Perpetual Securities of one Denomination Amount may not be exchanged for Bearer Perpetual Securities of another Denomination Amount. Bearer Perpetual Securities may not be exchanged for Registered Perpetual Securities.

(b) Transfer of Registered Perpetual Securities

Subject to Conditions 2(e) and 2(f) below, one or more Registered Perpetual Securities may be transferred (in the authorised denominations set out herein) upon the surrender (at the specified office of the Registrar or any other Transfer Agent) of the Certificate representing such Registered Perpetual Securities to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or such other Transfer Agent may require to prove the title of the transferor and the authority of the individuals that have executed the form of transfer. In the case of a transfer of part only of a holding of Registered Perpetual Securities represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Perpetual Securities and entries on the Register will be made subject to the detailed regulations concerning transfers of Perpetual Securities scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior approval of the Trustee and the Registrar, or by the Registrar with the prior approval of the Issuer and the Trustee. A copy of the current regulations will be made available by the Registrar, at the expense of the Issuer, to any Perpetual Securityholder upon request.

(c) Exercise of Options or Partial Redemption in Respect of Registered Perpetual Securities

In the case of an exercise of an Issuer's option in respect of, or a partial redemption of, a holding of Registered Perpetual Securities represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Perpetual Securities of the same holding having different terms, separate Certificates shall be issued in respect of those Perpetual Securities of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any other Transfer Agent. In the case of a transfer of Registered Perpetual Securities to a person who is already a holder of Registered Perpetual Securities, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) Delivery of New Certificates

Each new Certificate to be issued pursuant to Condition 2(b) or 2(c) shall be available for delivery within five (5) business days of receipt of the form of transfer and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Registrar or such other Transfer Agent (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the Registrar or the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday or a gazetted public holiday, on which banks are open for general business in the place of the specified office of the Registrar or the other relevant Transfer Agent (as the case may be).

(e) Transfers Free of Charge

Transfers of Perpetual Securities and Certificates on registration, transfer, exercise of an option or partial redemption shall be effected without charge by or on behalf of the Issuer, the Registrar or the other Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the other relevant Transfer Agent may require) in respect of tax or charges.

(f) Closed Periods

No Perpetual Securityholder may require the transfer of a Registered Perpetual Security to be registered (i) during the period of 15 days prior to any date on which the Perpetual Securities may be called for redemption by the Issuer at its option pursuant to Condition 5(b), (ii) after any such Perpetual Security has been called for redemption, or (iii) during the period of 15 days ending on (and including) any Record Date (as defined in Condition 6(b)(ii)).

3. STATUS

(a) Senior Perpetual Securities

This Condition 3(a) applies to Perpetual Securities that are Senior Perpetual Securities (being the Perpetual Securities that specify their status as senior in the applicable Pricing Supplement).

(i) Status of Senior Perpetual Securities

The Senior Perpetual Securities and Coupons of all Series constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves, and at least *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the Issuer.

(ii) Guarantee

The due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Senior Perpetual Securities and the Coupons is unconditionally and irrevocably guaranteed by the Guarantors on a joint and several basis. The obligations of the Guarantors under the Guarantee (as defined in the Trust Deed) are contained in the Trust Deed. The payment obligations of each Guarantor under the Guarantee and the Trust Deed in respect of the Senior Perpetual Securities constitute direct, unconditional, unsubordinated and unsecured obligations of such Guarantor and shall at all times rank at least *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of such Guarantor.

(b) Subordinated Perpetual Securities

This Condition 3(b) applies to Perpetual Securities that are Subordinated Perpetual Securities (being the Perpetual Securities that specify their status as subordinated in the applicable Pricing Supplement).

(i) Status of Subordinated Perpetual Securities

The Subordinated Perpetual Securities and Coupons of all Series constitute direct, unconditional, subordinated and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any preference or priority among themselves and *pari passu* with any Parity Obligations of the Issuer. The rights and claims of the Subordinated Perpetual Securityholders and Couponholders in respect of the Subordinated Perpetual Securities are subordinated as provided in this Condition 3(b).

(ii) Ranking of claims on Winding-Up - Issuer

Subject to the insolvency laws of the Commonwealth of Australia ("**Australia**") and other applicable laws, in the event of the Winding-Up (as defined in Condition 9(b)) of the Issuer, the rights of the Perpetual Securityholders and Couponholders in respect of Subordinated Perpetual Securities to payment of principal, distribution and any other amounts in respect of the Subordinated Perpetual Securities and the Coupons relating to them are expressly subordinated and subject in right of payment to the prior payment in full of all claims of senior creditors of the Issuer but at least *pari passu* with all other subordinated obligations of the Issuer that are not expressed by their terms to rank junior to the Subordinated Perpetual Securities and in priority to the claims of shareholders of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.

(iii) Set-off – Issuer

Subject to applicable law, no holder of Subordinated Perpetual Securities or any Coupons relating to them may exercise, claim or plead any right of set-off, deduction, withholding or retention in respect of any amount owed to it by the Issuer or, as the case may be, any of the Guarantors in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them, and each holder of Subordinated Perpetual Securities or any Coupons relating to them shall, by virtue of his holding of any Subordinated Perpetual Securities or Coupons relating to them, be deemed to have waived all such rights of set-off, deduction, withholding or retention against the Issuer, or as the case may be, that Guarantor. Notwithstanding the preceding sentence, if any of the amounts owing to any holder of Subordinated Perpetual Securities or any Coupons relating to them by the Issuer or, as the case may be, any of the Guarantors in respect of, or arising under or in connection with the Subordinated Perpetual Securities or Coupons relating to them is discharged by set-off, such holder of Subordinated Perpetual Securities or any Coupons relating to them shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Issuer (even if the amount is received from a Guarantor) (or, in the event of its Winding-Up or administration, the liquidator or, as appropriate, administrator of the Issuer) and, until such time as payment is made, shall hold such amount in trust for the Issuer (or the liquidator or, as appropriate, administrator of the Issuer) and accordingly any such discharge shall be deemed not to have taken place.

(iv) Guarantee: The due payment of all sums expressed to be payable by the Issuer under the Trust Deed, the Subordinated Perpetual Securities and the Coupons is unconditionally and irrevocably guaranteed by the Guarantors. The obligations of the Guarantors under the Guarantee (as defined in the Trust Deed) are contained in the Trust Deed. The payment obligations of each Guarantor under the Guarantee and the Trust Deed in respect of the Subordinated Perpetual Securities constitute direct, unconditional, subordinated and unsecured obligations of such Guarantor and shall at all times rank *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of such Guarantor. The rights and claims of the Subordinated Perpetual Securityholders and Couponholders in respect of the Guarantee are subordinated as provided in this Condition 3(b).

For the avoidance of doubt, no sum shall be payable by a Guarantor under the Guarantee in the event of a Winding-Up of the Issuer until the payment of in full of all claims of senior creditors of the Issuer.

4. DISTRIBUTIONS AND OTHER CALCULATIONS

(I) DISTRIBUTION ON FIXED RATE PERPETUAL SECURITIES

(a) Distribution Rate and Accrual

Each Fixed Rate Perpetual Security confers a right to receive distribution on its Calculation Amount (as defined in Condition 4(II)(c)) from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security at the rate per annum (expressed as a percentage) equal to the Distribution Rate shown on the face of such Perpetual Security payable in arrear on each Distribution Payment Date or Distribution Payment Dates shown on the face of such Perpetual Security in each year.

The first payment of distribution will be made on the Distribution Payment Date next following the Distribution Commencement Date (and if the Distribution Commencement Date is not a Distribution Payment Date, will amount to the Initial Broken Amount shown on the face of such Perpetual Security).

Distribution will cease to accrue on each Fixed Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount shown on the face of the Perpetual Security is improperly withheld or refused, in which event distribution at such rate will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(I) to the Relevant Date (as defined in Condition 7).

(b) Distribution Rate

The Distribution Rate applicable to each Fixed Rate Perpetual Security shall be:

(i) (if no Reset Date is specified in the applicable Pricing Supplement),

(A) if no Step-Up Margin is specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security; or

(B) if a Step-Up Margin is specified in the applicable Pricing Supplement, (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the Step-Up Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security plus the Step-Up Margin (as specified in the applicable Pricing Supplement); and

(ii) (if a Reset Date is specified in the applicable Pricing Supplement), (1) for the period from (and including) the Distribution Commencement Date to (but excluding) the First Reset Date specified in the applicable Pricing Supplement, the rate shown on the face of such Perpetual Security and (2) for the period from (and including) the First Reset Date and each Reset Date (as shown in the applicable Pricing Supplement) falling thereafter to (but excluding) the immediately following Reset Date, the Reset Distribution Rate,

Provided always that if Redemption upon a Change of Control Event is specified hereon and a Change of Control Margin is specified in the applicable Pricing Supplement, in the event that a Change of Control Event (as defined in Condition 5(f)) has occurred, so long as the Issuer has not already redeemed the Perpetual Securities in accordance with Condition 5(f), the then prevailing Distribution Rate shall be increased by the Change of Control Margin with effect from (and including) the Distribution Payment Date immediately following the date on which the Change of Control Event occurred (or, if the Change of Control Event occurs on or after the date which is two business days prior to the immediately following Distribution Payment Date, the next following Distribution Payment Date).

For the purposes of these Conditions:

"**Reset Distribution Rate**" means the Swap Offer Rate or such other Relevant Rate to be specified in the applicable Pricing Supplement with respect to the relevant Reset Date plus the Initial Spread (as specified in the applicable Pricing Supplement) plus the Step-Up Margin (if applicable, as specified in the applicable Pricing Supplement) plus the Change of Control Margin (if applicable); and

"**Swap Offer Rate**" means:

(i) the swap offer rate per annum (expressed as a percentage) notified by the Agent Bank to the Issuer equal to the rate published by the Association of Banks in Singapore (or such other equivalent body) for a period equal to the duration of the Reset Period specified in the applicable Pricing Supplement on the second business day prior to the relevant Reset Date (the "**Reset Determination Date**");

(ii) if on the Reset Determination Date, there is no swap offer rate published by the Association of Banks in Singapore (or such other equivalent body), the Agent Bank will determine the swap offer rate for such Reset Period (determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates (excluding the highest and the lowest rates) which appears on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD" and the column headed "Ask" (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on each of the five consecutive business days prior to and ending on the Reset Determination Date);

(iii) if on the Reset Determination Date, rates are not available on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD" and the column headed "Ask" (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business on one or more of the said five consecutive business days, the swap offer rate will be the rate per annum notified by the Agent Bank to the Issuer equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates which are available in such five-consecutive-business-day period or, if only one rate is available in such five-consecutive-business-day period, such rate; and

(iv) if on the Reset Determination Date, no rate is available on Page TPIS on the monitor of the Bloomberg Agency under the caption "Tullett Prebon – Rates – Interest Rate Swaps – Asia Pac – SGD" and the column headed "Ask" (or if the Agent Bank determines that such page has ceased to be the commonly accepted page for determining the swap offer rate, such other replacement page as may be specified by the Agent Bank after taking into account the industry practice at that relevant time and the recommendations by the Association of Banks in Singapore (or such other equivalent body)) at the close of business in such five-consecutive- business-day period, the Agent Bank will request the principal Singapore offices of the Reference Banks to provide the Agent Bank with quotation(s) of their swap offer rates for a period equivalent to the duration of the Reset Period at the close of business on the Reset Determination Date. The swap offer rate for such Reset Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations, as determined by the Agent Bank or, if only one of the Reference Banks provides the Agent Bank with such quotation, such rate quoted by that Reference Bank.

(c) Calculation of Reset Distribution Rate

The Agent Bank will, on the second business day prior to each Reset Date, determine the applicable Reset Distribution Rate or (if a Change of Control Event has occurred) the applicable Distribution Rate payable in respect of each Perpetual Security. The Agent Bank will cause the applicable Reset Distribution Rate or (if a Change of Control Event has occurred) the applicable Distribution Rate determined by it to be notified to the Issuing and

Paying Agent, the Trustee, the Registrar and the Issuer as soon as practicable after their determination but in no event later than the fourth business day thereafter. All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 4 by the Agent Bank will (in the absence of manifest error) be binding on the Issuer, the Guarantors and the Perpetual Securityholders.

(d) Publication of Relevant Reset Distribution Rate

The Issuer shall cause notice of the then applicable Reset Distribution Rate or (if a Change of Control Event has occurred) the applicable Distribution Rate to be promptly notified to the Perpetual Securityholders in accordance with Condition 15 after having been notified by the Agent Bank of such applicable Reset Distribution Rate or, as the case may be, Distribution Rate.

(e) Determination or Calculation by Trustee

If the Agent Bank does not at any material time for any reason so determine the applicable Reset Distribution Rate or (if a Change of Control Event has occurred) the applicable Distribution Rate, the Trustee shall do so and such determination shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4(I), with any necessary consequential amendments, to the extent that, in its opinion, it can do so and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(f) Calculations in relation to Fixed Rate Perpetual Securities

In the case of a Fixed Rate Perpetual Security, distribution in respect of a period of less than one year will be calculated on the Day Count Fraction specified hereon. The amount of distribution payable per Calculation Amount in respect of any Perpetual Security shall be calculated by multiplying the product of the applicable Distribution Rate and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the Relevant Currency.

(II) DISTRIBUTION ON FLOATING RATE PERPETUAL SECURITIES

(a) Distribution Payment Dates

Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount from the Distribution Commencement Date in respect thereof and as shown on the face of such Perpetual Security, and such distribution will be payable in arrear on each distribution payment date ("**Distribution Payment Date**"). Such Distribution Payment Date(s) is/are either shown hereon as Specified Distribution Payment Date(s) or, if no Specified Distribution Payment Date(s) is/are shown hereon, Distribution Payment Date shall mean each date which (save as mentioned in these Conditions) falls the number of months specified as the Distribution Period on the face of the Perpetual Security (the "**Specified Number of Months**") after the preceding Distribution Payment Date or, in the case of the first Distribution Payment Date, after the Distribution Commencement Date (and which corresponds numerically with such preceding Distribution Payment Date or the Distribution Commencement Date, as the case may be). If any Distribution Payment Date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention shown on the face of the Perpetual Security would otherwise fall on a day that is not a business day (as defined below), then if the Business Day Convention specified is (1) the Floating Rate Business Day Convention, such date shall be postponed to the next day which is a business day unless it would thereby fall into the next calendar month, in which event (i) such date shall be brought forward to the immediately preceding business day and (ii) each subsequent such date shall be the last business day of the month in which such date would have fallen had it not been subject to adjustment, (2) the Following Business Day Convention, such date shall be postponed to the next day that is a business day, (3) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a business day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding business day or (4) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding business day.

The period beginning on (and including) the Distribution Commencement Date and ending on (but excluding) the first Distribution Payment Date and each successive period beginning on (and including) a Distribution Payment Date and ending on (but excluding) the next succeeding Distribution Payment Date is herein called a "**Distribution Period**".

Distribution will cease to accrue on each Floating Rate Perpetual Security from the due date for redemption thereof unless, upon due presentation and subject to the provisions of the Trust Deed, payment of the Redemption Amount is improperly withheld or refused, in which event, distribution will continue to accrue (as well after as before judgment) at the rate and in the manner provided in this Condition 4(II) to the Relevant Date.

(b) Rate of Distribution - Floating Rate Perpetual Securities

(i) Each Floating Rate Perpetual Security confers a right to receive distribution on its Calculation Amount at a floating rate determined by reference to a Benchmark as stated on the face of such Floating Rate Perpetual Security, being (in the case of Perpetual Securities which are denominated in Singapore dollars) SIBOR (in which case such Perpetual Security will be a SIBOR Perpetual Security) or Swap Rate (in which case such Perpetual Security will be a Swap Rate Perpetual Security) or in any other case (or in the case of Perpetual Securities which are denominated in a currency other than Singapore dollars) such other Benchmark as is set out on the face of such Perpetual Security.

Such floating rate may be adjusted by adding or subtracting the Spread (if any) stated on the face of such Perpetual Security. The "**Spread**" is the percentage rate per annum specified on the face of such Perpetual Security as being applicable to the rate of distribution for such Perpetual Security. The rate of distribution so calculated shall be subject to Condition 4(III)(a) below.

The rate of distribution payable in respect of a Floating Rate Perpetual Security from time to time is referred to in these Conditions as the "**Rate of Distribution**".

(ii) The Rate of Distribution payable from time to time in respect of each Floating Rate Perpetual Security will be determined by the Agent Bank on the basis of the following provisions:

(1) in the case of Floating Rate Perpetual Securities which are SIBOR Perpetual Securities:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(B) if no such rate appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) or if the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period which shall be the offered rate for deposits in Singapore dollars for a period equal to the duration of such Distribution Period which appears on the Reuters Screen ABSIRFIX01 Page under the caption "ABS SIBOR FIX - SIBOR AND SWAP OFFER RATES - RATES AT 11:00 HRS SINGAPORE TIME" and under the column headed "SGD SIBOR" (or such other replacement page thereof for the purpose of displaying SIBOR or such other Screen Page as may be provided hereon) and as adjusted by the Spread (if any);

(C) if no such rate appears on the Reuters Screen ABSIRFIX01 Page under the column headed "SGD SIBOR" (or such other replacement page as aforesaid) or if the Reuters Screen ABSIRFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will request the principal Singapore offices of each of the Reference Banks to provide the Agent Bank with the rate at which deposits in Singapore dollars are offered by it at approximately the Relevant Time on the Distribution Determination Date to prime banks in the Singapore interbank market for a period equivalent to the duration of such Distribution Period commencing on such Distribution Payment Date in an amount comparable to the aggregate principal amount of the relevant Floating Rate Perpetual Securities. The Rate of Distribution for such Distribution Period shall be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of such offered quotations and as adjusted by the Spread (if any), as determined by the Agent Bank;

(D) if on any Distribution Determination Date two but not all the Reference Banks provide the Agent Bank with such quotations, the Rate of Distribution for the relevant Distribution Period shall be determined in accordance with (C) above on the basis of the quotations of those Reference Banks providing such quotations; and

(E) if on any Distribution Determination Date one only or none of the Reference Banks provides the Agent Bank with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Reference Banks at or about the Relevant Time on such Distribution Determination Date and as adjusted by the Spread (if any);

(2) in the case of Floating Rate Perpetual Securities which are Swap Rate Perpetual Securities:

(A) the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period as being the rate which appears on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page under the column headed "SGD Swap Offer" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period and as adjusted by the Spread (if any);

(B) if on any Distribution Determination Date no such rate is quoted on the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) or the Bloomberg Screen Swap Offer and SIBOR (ABSIRFIX) Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will, at or about the Relevant Time on the relevant Distribution Determination Date in respect of each Distribution Period, determine the Rate of Distribution for such Distribution Period as being the rate which appears on the Reuters Screen ABSFIX01 Page under the caption "SGD SOR rates as of 11:00hrs London Time" under the column headed "SGD SOR" (or such replacement page thereof for the purpose of displaying the swap rates of leading reference banks) at or about the Relevant Time on such Distribution Determination Date and for a period equal to the duration of such Distribution Period and as adjusted by the Spread (if any);

(C) if on any Distribution Determination Date no such rate is quoted on Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) or Reuters Screen ABSFIX01 Page (or such other replacement page as aforesaid) is unavailable for any reason, the Agent Bank will determine the Rate of Distribution for such Distribution Period as being the rate (or, if there is more than one rate which is published, the arithmetic mean of those rates (rounded up, if necessary, to the nearest 1/16 per cent.)) for a period equal to the duration of such Distribution Period published by a recognised industry body where such rate is widely used (after taking into account the industry practice at that time), or by such other relevant authority as may be agreed between the Agent Bank and the Issuer; and

(D) if on any Distribution Determination Date the Agent Bank is otherwise unable to determine the Rate of Distribution under paragraph (b)(ii)(2)(C) above or if no agreement on the relevant authority is reached between the Agent Bank and the Issuer under paragraph (b)(ii)(2)(C) above, the Rate of Distribution shall be determined by the Agent Bank to be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the rates quoted by the Singapore offices of the Reference Banks or those of them (being at least two in number) to the Agent Bank at or about 11.00 a.m. (Singapore time) on the first business day following such Distribution Determination Date as being their cost (including the cost occasioned by or attributable to complying with reserves, liquidity, deposit or other requirements imposed on them by any relevant authority or authorities) of funding, for the relevant Distribution Period, an amount equal to the aggregate principal amount of the relevant Floating Rate Perpetual Securities for such Distribution Period by whatever means they determine to be most appropriate and as adjusted by the Spread (if any), or if on such day one only or none of the Singapore offices of the Reference Banks provides the Agent Bank with such quotation, the Rate of Distribution for the relevant Distribution Period shall be the rate per annum equal to the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the prime lending rates for Singapore dollars quoted by the Singapore offices of the Reference Banks at or about 11.00 a.m. (Singapore time) on such Distribution Determination Date and as adjusted by the Spread (if any); and

(3) in the case of Floating Rate Perpetual Securities which are not SIBOR Perpetual Securities or Swap Rate Perpetual Securities or which are denominated in a currency other than Singapore dollars, the Agent Bank will determine the Rate of Distribution in respect of any Distribution Period at or about the Relevant Time on the Distribution Determination Date in respect of such Distribution Period as follows:

(A) if the Primary Source (as defined below) for the Floating Rate is a Screen Page (as defined below), subject as provided below, the Rate of Distribution in respect of such Distribution Period shall be:

(aa) the Relevant Rate (as defined below) (where such Relevant Rate on such Screen Page is a composite quotation or is customarily supplied by one entity); or (bb) the arithmetic mean of the Relevant Rates of the persons whose Relevant Rates appear on that Screen Page, in each case appearing on such Screen Page at the Relevant Time on the Distribution Determination Date,

and as adjusted by the Spread (if any)

(B) if the Primary Source for the Floating Rate is Reference Banks or if paragraph (b)(ii)(3)(A)(aa) applies and no Relevant Rate appears on the Screen Page at the Relevant Time on the Distribution Determination Date or if paragraph (b)(ii)(3)(A)(bb) applies and fewer than two Relevant Rates appear on the Screen Page at the Relevant Time on the Distribution Determination Date, subject as provided below, the Rate of Distribution shall be the rate per annum which the Agent Bank determines to be the arithmetic mean (rounded up, if necessary, to the nearest 1/16 per cent.) of the Relevant Rates that each of the Reference Banks is quoting to leading banks in the Relevant Financial Centre (as defined below) at the Relevant Time on the Distribution Determination Date and as adjusted by the Spread (if any); and

(C) if paragraph (b)(ii)(3)(B) applies and the Agent Bank determines that fewer than two Reference Banks are so quoting Relevant Rates, the Rate of Distribution shall be the Rate of Distribution determined on the previous Distribution Determination Date.

(iii) On the last day of each Distribution Period, the Issuer will pay distribution on each Floating Rate Perpetual Security to which such Distribution Period relates at the Rate of Distribution for such Distribution Period.

(iv) For the avoidance of doubt, in the event that the Rate of Distribution in relation to any Distribution Period is less than zero, the Rate of Distribution in relation to such Distribution Period shall be equal to zero.

(c) Definitions

As used in these Conditions:

"**Benchmark**" means the rate specified as such in the applicable Pricing Supplement;

"**business day**" means a day (other than a Saturday, Sunday or gazetted public holiday) on which:

(a) commercial banks are open for general business in the Commonwealth of Australia ("**Australia**");

(b) (i) (in the context of Perpetual Securities denominated in Singapore Dollars) commercial banks are open for general business in Singapore, (ii) (in the context of Perpetual Securities denominated in euro) the TARGET System is open for settlement of payment in euro, and (iii) (in the context of Perpetual Securities denominated in a currency other than Singapore Dollars and euro) commercial banks are open for general business in Singapore and the principal financial centre for that currency; and

(c) CDP, Euroclear and/or Clearstream, Luxembourg, as applicable is/are operating;

"**Calculation Amount**" means the amount specified as such on the face of any Perpetual Security, or if no such amount is so specified, the Denomination Amount of such Perpetual Security as shown on the face thereof;

"**Distribution Commencement Date**" means the Issue Date or such other date as may be specified as the Distribution Commencement Date on the face of such Perpetual Security;

"**Distribution Determination Date**" means, in respect of any Distribution Period, that number of business days prior thereto as is set out in the applicable Pricing Supplement or on the face of the relevant Perpetual Security;

"**euro**" means the currency of the member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended from time to time;

"**Primary Source**" means the Screen Page specified as such in the applicable Pricing Supplement and (in the case of any Screen Page provided by any information service other than the Bloomberg agency or the Reuters Monitor Money Rates Service ("**Reuters**")) agreed by the Agent Bank;

"**Reference Banks**" means the institutions specified as such hereon or, if none, three major banks selected by the Agent Bank in the interbank market that is most closely connected with the Benchmark;

"**Relevant Currency**" means the currency in which the Perpetual Securities are denominated;

"**Relevant Financial Centre**" means, in the case of distribution to be determined on a Distribution Determination Date with respect to any Floating Rate Perpetual Security, the financial centre with which the relevant Benchmark is most closely connected or, if none is so connected, Singapore;

"**Relevant Rate**" means the Benchmark for a Calculation Amount of the Relevant Currency for a period (if applicable or appropriate to the Benchmark) equal to the relevant Distribution Period;

"**Relevant Time**" means, with respect to any Distribution Determination Date, the local time in the Relevant Financial Centre at which it is customary to determine bid and offered rates in respect of deposits in the Relevant Currency in the inter-bank market in the Relevant Financial Centre;

"**Screen Page**" means such page, section, caption, column or other part of a particular information service (including, but not limited to, the Bloomberg agency and Reuters) and such other information service as may be agreed by the Agent Bank as may be specified hereon for the purpose of providing the Benchmark, or such other page, section, caption, column or other part as may replace it on that information service or on such other information service, in each case as may be nominated by the person or organisation providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Benchmark; and

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(III) CALCULATIONS

(a) Determination of Rate of Distribution and Calculation of Distribution Amounts

The Agent Bank will, as soon as practicable after the Relevant Time on each Distribution Determination Date determine the Rate of Distribution and calculate the amount of distribution payable (the "**Distribution Amounts**") in respect of each Calculation Amount of the relevant Floating Rate Perpetual Securities for the relevant Distribution Period. The amount of distribution payable per Calculation Amount in respect of any Floating Rate Perpetual Security shall be calculated by multiplying the product of the Rate of Distribution and the Calculation Amount, by the Day Count Fraction shown on the Perpetual Security and rounding the resultant figure to the nearest sub-unit of the relevant currency. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Agent Bank shall (in the absence of manifest error) be final and binding upon all parties.

(b) Notification

The Agent Bank will cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to the Issuing and Paying Agent, the Trustee and the Issuer as soon as possible after their determination but in no event later than the fourth business day thereafter. In the case of Floating Rate Perpetual Securities, if so required by the Issuer, the Agent Bank will also cause the Rate of Distribution and the Distribution Amounts for each Distribution Period and the relevant Distribution Payment Date to be notified to Perpetual Securityholders in accordance with Condition 15 as soon as possible after their determination. The Distribution Amounts and the Distribution Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Distribution Period by reason of any Distribution Payment Date not being a business day. If an Enforcement Event occurs in relation to the Floating Rate Perpetual Securities, the Rate of Distribution and Distribution Amounts payable in respect of the Floating Rate Perpetual Securities shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Distribution and Distribution Amounts need to be made unless the Trustee requires otherwise.

(c) Determination or Calculation by the Trustee

If the Agent Bank does not at any material time for any reason determine or calculate the Rate of Distribution for a Distribution Period or any Distribution Amount, the Trustee shall do so and such determination or calculation shall be deemed to have been made by the Agent Bank. In doing so, the Trustee shall apply the foregoing provisions of this Condition 4(III), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects, it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

(d) Agent Bank and Reference Banks

The Issuer will procure that, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be three Reference Banks (or such other number as may be required) and, so long as any Floating Rate Perpetual Security remains outstanding, there shall at all times be an Agent Bank. If any Reference Bank (acting through its relevant office) is unable or unwilling to continue to act as a Reference Bank or the Agent Bank is unable or unwilling to act as such or if the Agent Bank fails duly to establish the Rate of Distribution for any Distribution Period or to calculate the Distribution Amounts, the Issuer will appoint another bank with an office in the Relevant Financial Centre to act as such in its place. The Agent Bank may not resign from its duties without a successor having been appointed as aforesaid.

(IV) DISTRIBUTION DISCRETION

(a) Optional Payment

If Optional Payment is set out hereon, the Issuer may, at its sole discretion, elect not to pay a distribution (or to pay only part of a distribution) which is scheduled to be paid on a Distribution Payment Date by giving notice (an "**Optional Payment Notice**") to the Trustee and the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 15) not more than 15 nor less than five business days (or such other notice period as may be specified hereon) prior to a scheduled Distribution Payment Date.

If Dividend Pusher is set out hereon, the Issuer may not elect to defer any distribution if during the Reference Period (as specified in the applicable Pricing Supplement) ending on the day before that scheduled Distribution Payment Date, either or both of the following (each such event, a "**Compulsory Distribution Payment Event**") have occurred:

(i) a dividend, distribution or other payment has been declared or paid on or in respect of any of the Junior Obligations of the Issuer or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Parity Obligations of the Issuer; or

(ii) any of the Junior Obligations of the Issuer has been redeemed, reduced, cancelled, bought back or acquired for any consideration or, in relation to Subordinated Perpetual Securities only, (except on a *pro-rata* basis) any of the Parity Obligations of the Issuer has been redeemed, reduced, cancelled, bought back or acquired for any consideration,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, directors or consultants of the Group (as defined in the Trust Deed) or (2) as a result of the exchange or conversion of Parity Obligations of the Issuer for Junior Obligations of the Issuer and/or as otherwise specified in the applicable Pricing Supplement.

If Dividend Pusher is set out hereon, each Optional Payment Notice shall be accompanied, in the case of the notice to the Trustee and the Issuing and Paying Agent, by a certificate signed by a director or a duly authorised officer of the Issuer confirming that no Compulsory Distribution Payment Event has occurred during the relevant Reference Period. Any such certificate shall be conclusive evidence that no Compulsory Distribution Payment Event has occurred during the relevant Reference Period and the Trustee and the Issuing and Paying Agent shall be entitled to rely without any obligation to verify the same and without liability to any Perpetual Securityholder or any other person on any Optional Payment Notice or any certificate as aforementioned. Each Optional Payment Notice shall be conclusive and binding on the Perpetual Securityholders.

(b) No Obligation to Pay

If Optional Payment is set out hereon and subject to Condition 4(IV)(c) and Condition 4(IV)(d), the Issuer shall have no obligation to pay any distribution on any Distribution Payment Date and any failure to pay a distribution in whole or in part shall not constitute a default of the Issuer in respect of the Perpetual Securities.

(c) Non-Cumulative Deferral and Cumulative Deferral

(i) If Non-Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) is non-cumulative and will not accrue distribution. The Issuer is not under any obligation to pay that or any other distributions that have not been paid in whole or in part. The Issuer may, at its sole discretion, and at any time, elect to pay an amount up to the amount of distribution which is unpaid (the "**Optional Distribution**") (in whole or in part) by complying with the notice requirements in Condition 4(IV)(e). There is no limit on the number of times or the extent of the amount with respect to which the Issuer can elect not to pay distributions pursuant to this Condition 4(IV). Any partial payment of outstanding Optional Distribution by the Issuer shall be shared by the holders of all outstanding Perpetual Securities and the Coupons related to them on a pro-rata basis.

(ii) If Cumulative Deferral is set out hereon, any distribution deferred pursuant to this Condition 4(IV) shall constitute "**Arrears of Distribution**". The Issuer may, at its sole discretion, elect (in the circumstances set out in Condition 4(IV)(a)) to further defer any Arrears of Distribution by complying with the foregoing notice requirement applicable to any deferral of an accrued distribution. The Issuer is not subject to any limit as to the number of times distributions and Arrears of Distribution can or shall be deferred pursuant to this Condition 4(IV) except that this Condition 4(IV)(c) shall be complied with until all outstanding Arrears of Distribution have been paid in full.

(iii) If Additional Distribution is set out hereon, each amount of Arrears of Distribution shall bear interest as if it constituted the principal of the Perpetual Securities at the Distribution Rate or Rate of Distribution (as the case may be) and the amount of such interest (the "**Additional Distribution Amount**") with respect to Arrears of Distribution shall be due and payable pursuant to this Condition 4 and shall be calculated by applying the applicable Distribution Rate or Rate of Distribution (as the case may be) to the amount of the Arrears of Distribution and otherwise *mutatis mutandis* as provided in the provisions of Condition 4. The Additional Distribution Amount accrued up to any Distribution Payment Date shall be added, for the purpose of calculating the Additional Distribution Amount accruing thereafter, to the amount of Arrears of Distribution remaining unpaid on such Distribution Payment Date so that it will itself become Arrears of Distribution.

(d) Distribution and Capital Stopper

If Dividend Stopper is set out hereon and on any Distribution Payment Date, payments of all distributions scheduled to be made on such date are not made in full by reason of this Condition 4(IV), the Issuer shall not and shall procure that none of its subsidiaries shall:

(i) declare or pay any dividends, distributions or make any other payment on, and will procure that no dividend, distribution or other payment is made on any of the Junior Obligations of the Issuer or in relation to Subordinated Perpetual Securities only, (except on a pro-rata basis) any of the Parity Obligations of the Issuer; or

(ii) redeem, reduce, cancel, buy-back or acquire for any consideration and will procure that no redemption, reduction, cancellation, buy-back or acquisition is made in respect of any of the Issuer's Junior Obligations or in relation to Subordinated Perpetual Securities only, (except on a pro-rata basis) any of the Parity Obligations of the Issuer,

in each case, other than (1) in connection with any employee benefit plan or similar arrangements with or for the benefit of the employees, directors or consultants of the Group or (2) as a result of the exchange or conversion of Parity Obligations of the Issuer for Junior Obligations of the Issuer, unless and until (A) (if Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) the Issuer has satisfied in full all outstanding Arrears of Distribution, (B) (if Non-Cumulative Deferral is specified as being applicable in the applicable Pricing Supplement) a redemption of all the outstanding Perpetual Securities has occurred, the next scheduled distribution has been paid in full or an Optional Distribution equal to the amount of a distribution payable with respect to the most recent Distribution Payment Date that was unpaid in full or in part, has been paid in full or (C) the Issuer is permitted to do so by an Extraordinary Resolution (as defined in the Trust Deed) of the Perpetual Securityholders and/or as otherwise specified in the applicable Pricing Supplement.

(e) Satisfaction of Optional Distribution or Arrears of Distribution

The Issuer:

(i) may, at its sole discretion, satisfy an Optional Distribution or Arrears of Distribution, as the case may be (in whole or in part) at any time by giving notice of such election to the Trustee, the Issuing and Paying Agent and the Perpetual Securityholders (in accordance with Condition 15) not more than 20 nor less than 10 business days (or such other notice period as may be specified hereon) prior to the relevant payment date specified in such notice (which notice is irrevocable and shall oblige the Issuer to pay the relevant Optional Distribution or Arrears of Distribution on the payment date specified in such notice); and

(ii) in any event shall satisfy any outstanding Arrears of Distribution (in whole but not in part) on the earliest of (1) the date of redemption of the Perpetual Securities in accordance with the redemption events set out in Condition 5 (as applicable); (2) the next Distribution Payment Date following the occurrence of a breach of Condition 4(IV)(d) or following the occurrence of a Compulsory Distribution Payment Event; and (3) the date such amount becomes due under Condition 9 or on a Winding-Up of the Issuer.

Any partial payment of an Optional Distribution or Arrears of Distribution, as the case may be, by the Issuer shall be shared by the Perpetual Securityholders of all outstanding Perpetual Securities on a *pro-rata* basis.

(f) No default

Notwithstanding any other provision in these Conditions, the non-payment of any distribution payment in accordance with this Condition 4 shall not constitute a default for any purpose (including, without limitation, pursuant to Condition 9) on the part of the Issuer under the Perpetual Securities or the Guarantors under the Guarantee.

5. REDEMPTION AND PURCHASE

(a) No Fixed Redemption Date

The Perpetual Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Condition 3 and without prejudice to Condition 9) only have the right (but not the obligation) to redeem or purchase them in accordance with this Condition 5.

(b) Redemption at the Option of the Issuer

If so provided hereon, the Issuer may, on giving irrevocable notice to the Perpetual Securityholders falling within the Issuer's Redemption Option Period shown on the face hereof, redeem all or, if so provided, some of the Perpetual Securities at their Redemption Amount or integral multiples thereof and on the date or dates so provided. Any such redemption of Perpetual Securities shall be at their Redemption Amount, together with distribution accrued (including any Arrears of Distribution and any Additional Distribution Amount) to (but excluding) the date fixed for redemption.

All Perpetual Securities in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption of the Perpetual Securities, the notice to Perpetual Securityholders shall also contain details as to the manner of redemption which shall be in such place and in such manner as the Trustee considers appropriate, subject to compliance with applicable law and the rules of the relevant clearing system, each competent authority and/or Stock Exchange. So long as the Perpetual Securities are listed on any Stock Exchange, the Issuer shall comply with the rules of such Stock Exchange in relation to the publication of any redemption of such Perpetual Securities.

(c) Redemption for Taxation Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if:

(i) the Issuer receives a ruling by the Comptroller of Income Tax (or other relevant authority) which confirms that:

(A) the Perpetual Securities will not be regarded as "debt securities" for the purposes of Section 43N(4) of the Income Tax Act, Chapter 134 of Singapore ("**ITA**") and Regulation 2 of the Income Tax (Qualifying Debt Securities) Regulations; or

(B) the distributions (including Arrears of Distribution and any Additional Distribution Amount) will not be regarded as interest payable by the Issuer for the purposes of the withholding tax exemption and/or concessionary tax rate on interest for "qualifying debt securities" under the ITA, as a result of which the Issuer will become obliged to pay additional amounts as provided or referred to in Condition 7; or

(C) the distributions (including Arrears of Distribution and any Additional Distribution Amount) will not be regarded as sums "payable by way of interest upon any money borrowed" for the purpose of Section 14(1)(a) of the ITA; or

(ii) (A) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7, or increase the payment of such additional amounts, as a result of any change in, or amendment to, the laws (or any regulations, rulings or other administrative pronouncements promulgated thereunder) of Australia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws, regulations, rulings or other administrative pronouncements, which change or amendment is made public on or after the Issue Date or any other date specified in the Pricing Supplement; and

(B) such obligations cannot be avoided by the Issuer taking reasonable measures available to it,

provided that (where the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7) no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Perpetual Securities then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer shall deliver to the Issuing and Paying Agent and the Trustee a certificate signed by a duly authorised officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal or tax advisers of recognised standing to the effect that the Issuer has or is likely to become obliged to pay such additional amounts as a result of such change or amendment.

(d) Redemption for Accounting Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption) if, on such Distribution Payment Date or any time after that Distribution Payment Date, as a result of any changes or amendments to the Australian Accounting Standards, as amended from time to time ("**AAS**") or any other accounting standards that may replace the AAS for the purposes of the consolidated financial statements of the Issuer (the "**Relevant Accounting Standard**"), the Perpetual Securities will not or will no longer be recorded as "equity" of the Issuer pursuant to the Relevant Accounting Standard.

Prior to the publication of any notice of redemption pursuant to this Condition 5(d), the Issuer shall deliver to the Trustee (i) a certificate signed by a duly authorised officer of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances; and (ii) an opinion of the Issuer's independent auditors stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the Relevant Accounting Standard is due to take effect.

Upon the expiry of any such notice as is referred to in this Condition 5(d), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(d).

(e) Redemption for Tax Deductibility Reasons

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders and the Trustee (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if the Issuer satisfies the Trustee immediately before giving such notice that, as a result of:

(i) any amendment to, or change in, the laws (or any rules or regulations thereunder) of Singapore or any political subdivision or any taxing authority thereof or therein which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date;

(ii) any amendment to, or change in, an official and binding interpretation of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory determination) which is enacted, promulgated, issued or becomes effective otherwise on or after the Issue Date; or

(iii) any generally applicable official interpretation or pronouncement which is issued or announced on or after the Issue Date that provides for a position with respect to such laws or regulations that differs from the previously generally accepted position which is issued or announced before the Issue Date,

payments by the Issuer are no longer, or would in the Distribution Period immediately following that Distribution Payment Date no longer be, fully deductible by the Issuer for Singapore income tax purposes. Prior to the publication of any notice of redemption pursuant to this Condition 5(e), the Issuer shall deliver or procure that there is delivered to the Trustee (x) a certificate signed by a director of the Issuer stating that the circumstances referred to above prevail and setting out the details of such circumstances and (y) an opinion of the Issuer's independent tax or legal adviser of recognised standing stating that the circumstances referred to above prevail and the date on which the relevant change or amendment to the tax regime is due to take effect.

Upon the expiry of any such notice as is referred to in this Condition 5(e), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(e).

(f) Redemption upon a Change of Control

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount, (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), following the occurrence of a Change of Control Event.

For the purposes of these Conditions, "**Change of Control Event**" means an event where a party which has voting power (as that term is defined in the Corporations Act 2001 of Australia) in respect of the Issuer of 50 per cent. or less as at the Issue Date obtains voting power of more than 50 per cent., but will not include the following circumstances:

(i) where some or all of the increase in voting power arises from an agreement that is conditional; or

(ii) where the increase in voting power arises because of a relevant interest that a person has under section 608(3)(a) of the Corporations Act 2001 of Australia.

(g) Redemption in the case of Minimal Outstanding Amount

If so provided hereon, the Perpetual Securities may be redeemed at the option of the Issuer in whole, but not in part, on any Distribution Payment Date or, if so specified hereon, at any time, on giving not less than 30 nor more than 60 days' notice to the Perpetual Securityholders (which notice shall be irrevocable), at their Redemption Amount (together with distribution (including any Arrears of Distribution and any Additional Distribution Amount) accrued to (but excluding) the date fixed for redemption), if, immediately before giving such notice, the aggregate principal amount of the Perpetual Securities outstanding is less than 10 per cent. of the aggregate principal amount originally issued.

Upon the expiry of any such notice as is referred to in this Condition 5(g), the Issuer shall be bound to redeem the Perpetual Securities in accordance with this Condition 5(g).

(h) Purchase

The Issuer or any of its related corporations may at any time purchase Perpetual Securities at any price (provided that they are purchased together with all unmatured Coupons and unexchanged Talons relating to them) in the open market or otherwise, provided that in any such case such purchase or purchases is in compliance with all relevant laws, regulations and directives.

Perpetual Securities purchased by or on behalf of the Issuer or any of its related corporations (i) may be surrendered by the purchaser through the Issuer to, in the case of Bearer Perpetual Securities, the Issuing and Paying Agent and, in the case of Registered Perpetual Securities, the Registrar for cancellation, or (ii) may at the option of the Issuer or relevant related corporation be held or resold.

For the purposes of these Conditions, "**directive**" includes any present or future directive, regulation, request, requirement, rule or credit restraint programme of any relevant agency, authority, central bank department, government, legislative, minister, ministry, official public or statutory corporation, self-regulating organisation, or stock exchange.

(i) Cancellation

All Perpetual Securities purchased by or on behalf of the Issuer or any of its related corporations may be surrendered for cancellation, in the case of Bearer Perpetual Securities, by surrendering each such Perpetual Security together with all unmatured Coupons and all unexchanged Talons to the Issuing and Paying Agent at its specified office and, in the case of Registered Perpetual Securities, by surrendering the Certificate representing such Perpetual Securities to the Registrar and, in each case, if so surrendered, shall, together with all Perpetual Securities redeemed by the Issuer, be cancelled forthwith (together with all unmatured Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Perpetual Securities or Certificates so surrendered for cancellation may not be reissued or resold.

6. PAYMENTS

(a) Principal and Distribution in respect of Bearer Perpetual Securities

Payments of principal and distribution in respect of Bearer Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Perpetual Securities or Coupons, as the case may be, at the specified office of the relevant Issuing and Paying Agent by a cheque drawn in the currency in which payment is due on, or, at the option of the holders, by transfer to an account maintained by the payee in the principal financial centre for that currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) Principal and Distribution in respect of Registered Perpetual Securities

(i) Payments of principal in respect of Registered Perpetual Securities will, subject as mentioned below, be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in Condition 6(b)(ii).

(ii) Distribution in respect of Registered Perpetual Securities shall be paid to the person shown on the Register at the close of business on the date falling five (5) business days prior to the due date for payment thereof (the "**Record Date**"). Payments of distribution on each Registered Perpetual Security shall be made by a cheque drawn in the currency in which payment is due on and mailed to the holder (or to the first named of joint holders) of such Perpetual Security at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any other Transfer Agent before the Record Date, such payment of distribution may be made by transfer to an account maintained by the payee in that currency with, a bank in the principal financial centre for that currency.

(c) Payments subject to law etc.

All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives, but without prejudice to the provisions of Condition 7. No commission or expenses shall be charged to the Perpetual Securityholders or Couponholders in respect of such payments.

(d) Appointment of Agents

The Issuing and Paying Agent, the Agent Bank, the Transfer Agent and the Registrar are initially appointed by the Issuer and their specified offices are listed below. The Issuer reserves the right at any time to vary or terminate the appointment of any of the Agents in accordance with the terms of the Agency Agreement and to appoint additional or other Agents, provided that it will at all times maintain (i) an Issuing and Paying Agent having a specified office in Singapore, (ii) a Transfer Agent in relation to Registered Perpetual Securities, having a specified office in Singapore, (iii) a Registrar in relation to Registered Perpetual Securities, having a specified office in Singapore and (iv) a Agent Bank where the Conditions so require.

Notice of any such change or any change of any specified office will promptly be given to the Perpetual Securityholders in accordance with Condition 15.

So long as the Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, the Issuer will appoint and maintain an issuing and paying agent in Singapore, where the Perpetual Securities may be presented or surrendered for payment or redemption. In addition, for so long as the Perpetual Securities are listed on the SGX-ST and the rules of the SGX-ST so require, in the event that the Global Security is exchanged for Definitive Securities or, as the case may be, the Global Certificate is exchanged for definitive Certificates, an announcement of such exchange shall be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the Definitive Securities or, as the case may be, the definitive Certificates, including details of the paying agent in Singapore.

The Agency Agreement may be amended by the Issuer, the Trustee and the Agents without the consent of any holder of any Perpetual Security or Coupon, for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained therein. Any such amendment shall be binding on the holders of the Perpetual Securities and Coupons.

(e) Unmatured Coupons and unexchanged Talons

(i) Bearer Perpetual Securities which comprise Fixed Rate Perpetual Securities should be surrendered for payment together with all unmatured Coupons (if any) relating to such Perpetual Securities, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal due) will be deducted from the Redemption Amount due for payment. Any amount so deducted will be paid in the manner mentioned above against surrender of such missing Coupon within a period of ten years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 8).

(ii) Subject to the provisions of the relevant Pricing Supplement, upon the due date for redemption of any Bearer Perpetual Security comprising a Floating Rate Perpetual Security, unmatured Coupons relating to such Perpetual Security (whether or not attached) shall become void and no payment shall be made in respect of them

(iii) Upon the due date for redemption of any Bearer Perpetual Security, any unexchanged Talon relating to such Perpetual Security (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Where any Bearer Perpetual Security comprising a Floating Rate Perpetual Security is presented for redemption without all unmatured Coupons, and where any Bearer Perpetual Security is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(v) If the due date for redemption or repayment of any Perpetual Security is not a due date for payment of distribution, distribution accrued (if any) from the preceding due date for payment of distribution or the Distribution Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Perpetual Security or Certificate.

(f) Talons

On or after the Distribution Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Perpetual Security, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Issuing and Paying Agent on any business day in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 8).

(g) Non-business days

Subject as provided in the relevant Pricing Supplement or subject as otherwise provided in these Conditions, if any date for the payment in respect of any Perpetual Security or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day and shall not be entitled to any further distribution or other payment in respect of any such delay.

7. TAXATION

All payments in respect of the Perpetual Securities and the Coupons by or on behalf of the Issuer or, as the case may be, each Guarantor shall be made free and clear of, and without deduction or withholding for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the relevant jurisdiction of its incorporation or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor shall pay such additional amounts as will result in the receipt by the Perpetual Securityholders and the Couponholders of such amounts as would have been received by them had no such deduction or withholding been required.

As used in these Conditions, "**Relevant Date**" in respect of any Perpetual Security or Coupon means the date on which payment in respect thereof first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Perpetual Securityholders in accordance with Condition 15 that, upon further presentation of the Perpetual Security (or relative Certificate) or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon presentation, and references to "**principal**" shall be deemed to include any premium payable in respect of the Perpetual Securities, all Redemption Amounts and all other amounts in the nature of principal payable pursuant to Condition 5, "**distribution**" shall be deemed to include all Distribution Amounts, Arrears of Distribution, Additional Distribution Amount and all other amounts payable pursuant to Condition 4 and any reference to "**principal**" and/or "**premium**" and/or "**Redemption Amounts**" and/or "**distribution**" shall be deemed to include any additional amounts which may be payable under these Conditions.

8. PRESCRIPTION

Claims against the Issuer and/or the Guarantors for payment in respect of the Perpetual Securities and Coupons (which, for this purpose, shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of distribution) from the appropriate Relevant Date in respect of them.

9. ENFORCEMENT EVENTS

(a) Non-payment when due

Notwithstanding any of the provisions below in this Condition 9, the right to institute Winding-Up proceedings is limited to the circumstances set out in Condition 9(b) below. In the case of any distribution, such payment will not be due if the Issuer has elected not to pay or defer that payment in accordance with Condition 4(IV), provided that nothing in this Condition 9, including any restriction on commencing proceedings, shall in any way restrict or limit any right of the Trustee or any of its directors, officers, employees or agents to claim from or to otherwise take any action against the Issuer in respect of any costs, charges, fees, expenses or liabilities incurred by such party pursuant to or in connection with the Trust Deed or the Perpetual Securities.

(b) Enforcement Events

If any of the following events ("**Enforcement Events**") occurs, the Trustee at its discretion may, and if so requested by holders of at least 25 per cent. in principal amount of the Perpetual Securities then outstanding or if so directed by an Extraordinary Resolution shall, institute proceedings for the Winding-Up of the Issuer and/or prove in the Winding-Up of the Issuer or any Guarantor and/or claim in the liquidation of the Issuer or any Guarantor for payment of the Perpetual Securities at their Redemption Amount together with any distributions (including any outstanding Arrears of Distribution and any Additional Distribution Amount) accrued to such date:

(i) Non-Payment: the Issuer or the Guarantors fail to pay (A) the principal of any of the Perpetual Securities when due unless such failure to pay is caused by administrative or technical error beyond the control of the Issuer or, as the case may be, such Guarantor and payment is made within two (2) business days after the date on which such payment is due or (B) any distribution (including any Arrears of Distribution (if applicable) and any Additional Distribution Amount (if applicable)) on any of the Perpetual Securities when due and such failure continues for a period of two (2) business days or more after the date on which such payment is due; or

(ii) Winding-up: an order is made or an effective resolution is passed for the Winding-Up or dissolution of the Issuer.

As used in these Conditions:

"**Winding-Up**" means, with respect to any entity, a final and effective order or resolution for the bankruptcy, winding up, liquidation, receivership or similar proceedings in respect of such entity.

(c) Extent of Holder's Remedy

No remedy against the Issuer or the Guarantors, other than as referred to under this Condition 9 and Condition 10, shall be available to the Trustee or the holders, whether for the recovery of amounts owing in respect of the Perpetual Securities or under the Trust Deed or the Guarantee or in respect of any breach by the Issuer or any Guarantor of any of its other obligations under or in respect of the Perpetual Securities or under the Trust Deed or the Guarantee (as applicable).

(d) Entitlement of the Trustee

The Trustee shall not be bound to take any of the actions referred to in Condition 9(b) or Condition 10 unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Perpetual Securityholders holding not less than 25 per cent. in principal amount of the Perpetual Securities outstanding, and (b) it shall have been indemnified, secured and/or pre-funded to its satisfaction.

(e) Right of holder

No Perpetual Securityholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound to do so, fails to do so within a reasonable period and such failure or neglect shall be continuing.

9A. ADDITIONAL COVENANT

The Issuer has covenanted in the Trust Deed that it (i) will ensure that, at all times, the consolidated total assets of the Issuer and the Guarantors (taken as a whole) shall be at least 90 per cent. of the Consolidated Total Assets of the Group (as defined in the Trust Deed), and (ii) agrees and undertakes to cause its subsidiaries to become a Guarantor pursuant to the Trust Deed to ensure that, at all times, the consolidated total assets of the Issuer and the Guarantors (taken as a whole) shall be at least 90 per cent. of the Consolidated Total Assets of the Group.

10. ENFORCEMENT OF RIGHTS

Without prejudice of Condition 9(b) but subject to Condition 9(d), at any time after the Perpetual Securities shall have become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or any or all of the Guarantors as it may think fit to enforce any term or condition binding on the Issuer or the Guarantors under the Perpetual Securities or the Trust Deed or the Gurantee (as applicable) (other than any payment obligation of the Issuer or the Guarantors under or arising from the Perpetual Securities or the Guarantee (as applicable), including, without limitation, payment of any principal or premium or satisfaction of any distributions (including any damages awarded for breach of any obligations)) and in no event shall the Issuer or the Guarantors, by virtue of the institution of any such proceedings, be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.

11. MEETING OF PERPETUAL SECURITYHOLDERS AND MODIFICATIONS

(a) Meetings of Perpetual Securityholders

The Trust Deed contains provisions for convening meetings of Perpetual Securityholders of a Series to consider any matter affecting their interests, including modification by Extraordinary Resolution of the Perpetual Securities of such Series (including these Conditions insofar as the same may apply to such Perpetual Securities) or any of the provisions of the Trust Deed. The Trustee or the Issuer at any time may, and the Trustee upon the request in writing by Perpetual Securityholders holding not less than 10 per cent. of the principal amount of the Perpetual Securities of any Series for the time being outstanding shall, convene a meeting of the Perpetual Securityholders of the Series. An Extraordinary Resolution duly passed at any such meeting shall be binding on all the Perpetual Securityholders of the relevant Series, whether present or not and on all relevant Couponholders, except that any Extraordinary Resolution proposed, *inter* alia, (i) to amend the dates of redemption of the Perpetual Securities or any date for payment of distribution or Distribution Amounts on the Perpetual Securities, (ii) to reduce or cancel the principal amount of, or any premium payable on redemption of, the Perpetual Securities, (iii) to reduce the rate or rates of distribution in respect of the Perpetual Securities or to vary the method or basis of calculating the rate or rates of distribution or the basis for calculating any Distribution Amount in respect of the Perpetual Securities, (iv) to vary any method of, or basis for, calculating the Redemption Amount, (v) to vary the currency or currencies of payment or denomination of the Perpetual Securities, (vi) to take any steps that as specified hereon may only be taken following approval by an Extraordinary Resolution to which the special quorum provisions apply or (vii) to modify the provisions concerning the quorum required at any meeting of Perpetual Securityholders or the majority required to pass an Extraordinary Resolution will only be binding if passed at a meeting of the Perpetual Securityholders of the relevant Series (or at any adjournment thereof) at which a special quorum (provided for in the Trust Deed) is present.

(b) Modification of the Trust Deed

The Trustee may agree, without the consent of the Perpetual Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear, Clearstream, Luxembourg, the Depository and/or any other clearing system in which the Perpetual Securities may be held and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Perpetual Securityholders. Any such modification, authorisation or waiver shall be binding on the Perpetual Securityholders and the Couponholders and, if the Trustee so requires, such modification shall be notified to the Perpetual Securityholders as soon as practicable.

(c) Entitlement of the Trustee

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation determination or substitution), the Trustee shall have regard to the general interests of the Perpetual Securityholders as a class but shall not have regard to any interests arising from circumstances particular to individual Perpetual Securityholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Perpetual Securityholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Perpetual Securityholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Perpetual Securityholders or Couponholders.

These Conditions may be amended, modified, or varied in relation to any Series of Perpetual Securities by the terms of the relevant Pricing Supplement in relation to such Series.

For the purpose of ascertaining the right to attend and vote at any meeting of the Perpetual Securityholders convened for the purpose of and in relation to Clauses 9.2 and 28, Conditions 9, 10 and 11 and Schedule 9 to the Trust Deed, those Perpetual Securities (if any) which are beneficially held by, or are held on behalf of the Issuer, and any of its related corporations and not cancelled shall (unless and until ceasing to be so held) be disregarded when determining whether the requisite quorum of such meeting has been met and any votes cast or purported to be cast at such meeting in respect of such Perpetual Securities shall be disregarded and be null and void.

12. REPLACEMENT OF PERPETUAL SECURITIES, CERTIFICATES, COUPONS AND TALONS

If a Perpetual Security, Certificate, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed it may be replaced, subject to applicable laws, at the specified office of the Issuing and Paying Agent (in the case of Bearer Perpetual Securities, Coupons or Talons) and of the Registrar (in the case of Certificates), or at the specified office of such other Paying Agent or, as the case may be, Transfer Agent as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Perpetual Securityholders in accordance with Condition 15, on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia,* that if the allegedly lost, stolen or destroyed Perpetual Security, Certificate, Coupon or Talon is subsequently presented for payment, there will be paid to the Issuer on demand the amount payable by the Issuer in respect of such Perpetual Security, Certificate, Coupon or Talon) and otherwise as the Issuer may require. Mutilated or defaced Perpetual Securities, Certificates, Coupons or Talons must be surrendered before replacements will be issued.

13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Perpetual Securityholders or Couponholders create and issue further perpetual securities having the same terms and conditions as the Perpetual Securities of any Series and so that the same shall be consolidated and form a single Series with such Perpetual Securities, and references in these Conditions to "**Perpetual Securities**" shall be construed accordingly.

14. INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce repayment unless indemnified and/or secured and/or pre-funded to its satisfaction. The Trust Deed also contains a provision entitling the Trustee or any corporation related to it to enter into business transactions with the Issuer or any of its subsidiaries without accounting to the Perpetual Securityholders or Couponholders for any profit resulting from such transactions.

Each Perpetual Securityholder shall be solely responsible for making and continuing to make its own independent appraisal and investigation into the financial condition, creditworthiness, condition, affairs, status and nature of the Issuer, and the Trustee shall not at any time have any responsibility for the same and each Perpetual Securityholder shall not rely on the Trustee in respect thereof.

15. NOTICES

Notices to the holders of Bearer Perpetual Securities will be valid if published in a daily newspaper of general circulation in Singapore (or, if the holders of any Bearer Perpetual Securities can be identified, notices to such holders will also be valid if they are given to each of such holders). It is expected that such publication in Singapore will be made in *The Business Times*. Notices will, if published more than once or on different dates, be deemed to have been given on the date of the first publication in such newspaper as provided above.

Notices to the holders of Registered Perpetual Securities shall also be valid if mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice to the holders of Bearer Perpetual Securities in accordance with this Condition 15.

So long as the Perpetual Securities are represented by a Global Security or a Global Certificate and such Global Security or Global Certificate held in its entirety on behalf of CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg, there may be substituted for such publication in such newspapers the delivery of the relevant notice to (subject to the agreement of CDP) CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg for communication by it to the Perpetual Securityholders, except that if the Perpetual Securities are listed on the Singapore Exchange Securities Trading Limited and the rules of such exchange so require, notice will in any event be published in accordance with the previous paragraph. Any such notice shall be deemed to have been given to the Perpetual Securityholders on the seventh day after the day on which the said notice was given to CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Perpetual Securityholder pursuant hereto (including to the Issuer) shall be in writing and given by lodging the same, together with the relative Perpetual Security or Perpetual Securities, with (in the case of Bearer Perpetual Securities) the Issuing and Paying Agent or (in the case of Certificates) the Registrar. Whilst the Perpetual Securities are represented by a Global Security or a Global Certificate, such notice may be given by any Perpetual Securityholder to the Issuing and Paying Agent or, as the case may be, the Registrar through CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg in such manner as the Issuing and Paying Agent or, as the case may be, the Registrar and CDP, or as the case may be, Euroclear and/or Clearstream, Luxembourg may approve for this purpose.

Notwithstanding the other provisions of this Condition, in any case where the identity and addresses of all the Perpetual Securityholders are known to the Issuer, notices to such holders may be given individually by recorded delivery mail to such addresses and such notices will be deemed to have been given when received at such addresses.

16. GOVERNING LAW AND JURISDICTION

(a) Governing Law

The Perpetual Securities, the Coupons and the Talons are governed by, and shall be construed in accordance with, the laws of Singapore.

(b) Jurisdiction

The courts of Singapore are to have jurisdiction to settle any disputes that may arise out of or in connection with the Trust Deed, the Perpetual Securities or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Perpetual Securities or the Coupons ("**Proceedings**") may be brought in such courts. Each of the Issuer and the Guarantors has in the Trust Deed irrevocably submitted to the jurisdiction of such courts.

(c) Service of Process

Each of the Issuer and the Guarantors (which are not incorporated in Singapore) have irrevocably appointed DrewCorp Services Pte Ltd as its agent in Singapore to receive, for it and on its behalf, service of process in any Proceedings in Singapore.

(d) No Immunity

Each of the Issuer and the Guarantors agrees that in any legal action or proceedings arising out of or in connection with these Conditions against it or any of its assets, no immunity (sovereign or otherwise) from such legal action or proceedings (which shall include, without limitation, suit, attachment prior to award, other attachment, the obtaining of an award, judgment, execution or other enforcement) shall be claimed by or on behalf of the Issuer or with respect to any of its assets and irrevocably waives any such right of immunity which it or any of its assets now have or may hereafter acquire or which may be attributed to it or any of its assets and consent generally in respect of any such legal action or proceedings to the giving of any relief or the issue of any process in connection with such action or proceedings including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order, award or judgment which may be made or given in such action or proceedings.

17. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT

No person shall have any right to enforce or enjoy the benefit of any term or condition of the Perpetual Securities under the Contracts (Rights of Third Parties) Act, Chapter 53B of Singapore.

ISSUING AND PAYING AGENT, AGENT BANK, REGISTRAR AND TRANSFER AGENT

DBS Bank Ltd.
10 Toh Guan Road
#04-11 (Level 4B)
DBS Asia Gateway
Singapore 608838

THE ISSUER

A. Overview

History and Background

The Issuer has been listed on the Australian Securities Exchange ("**ASX**") since 2007 and has a market capitalisation of approximately A$1.5 billion as at the Latest Practicable Date.

The Issuer is an operator of childcare and education centres.

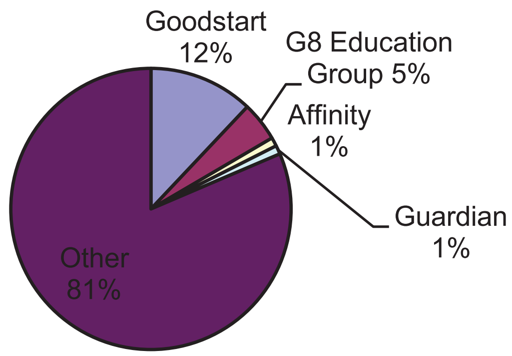
The G8 Education Group[1] was founded in Australia in 2007 as Early Learning Services Limited, and in 2009, merged with Payce Child Care Pty Limited, becoming G8 Education Limited. Since the merger, the Issuer has established itself as a significant participant in the childcare and education sector in Australia and Singapore with over 6,200 employees and over 21,000 licensed childcare centres as at the Latest Practicable Date.

The principal activity of the Issuer is the operation of childcare and education centres. The Issuer intends to continue to acquire childcare businesses which meet its operational and investment requirements.

Australia

As at the Latest Practicable Date, the Group is the second largest provider of childcare services in Australia with approximately 4.5% market share[2], owning 298 childcare and education centres across Australia and an additional 97 centres under contract. There are approximately 6,500 long day care centres across Australia, of which approximately 4,000 are potentially available for acquisition.

Figure 1: Childcare services in Australia - market share



The Australian childcare services industry comprises 11,420 centres (including family day care, occasional care, long day care and outside school care) operated by 7,850 operators, employing 122,000 people and generating A$7.8 billion revenue per annum.

Source: Company Data; Q8710 - Child Care Services in Australia, Feb, 2014, IBISWorld Pty

Singapore

As at the Latest Practicable Date, the Group owns 18 childcare and education centres and operates 48 franchised childcare and education centres in Singapore. As at March 2014, there are approximately 1,112 childcare centres in Singapore.[3] The model under which the Singapore franchised centres operate is a 'fee for service' model. For further details on this model, please see the section entitled "*D. Business Operations – Singapore – Franchised childcare and education centres*".

---

1 The G8 Education Group consists of the Issuer and its subsidiaries.

2 Please note that the numbers in Figure 1 are approximate figures and have been rounded up

3 Please see https://www.childcarelink.gov.sg/ccls/home/CCLS_HomeSitesTenderStatic.jsp

Mission

The Issuer's mission is to be the leading provider of high quality, developmental and educational childcare services in both Australia and Singapore. The Issuer seeks to achieve this through four pillars for growth and sustainability:

1. Quality Education and Care

   To nurture and develop the minds, social skills and confidence of children in a safe and stimulating environment.

2. Employees

   To commit to employee development and a rewarding culture which will ensure an engaged and driven workforce.

3. Community

   To be responsive to local families and deliver upon community expectations.

4. Profitability

   To grow and derive value for shareholders through innovative services, systems and management.

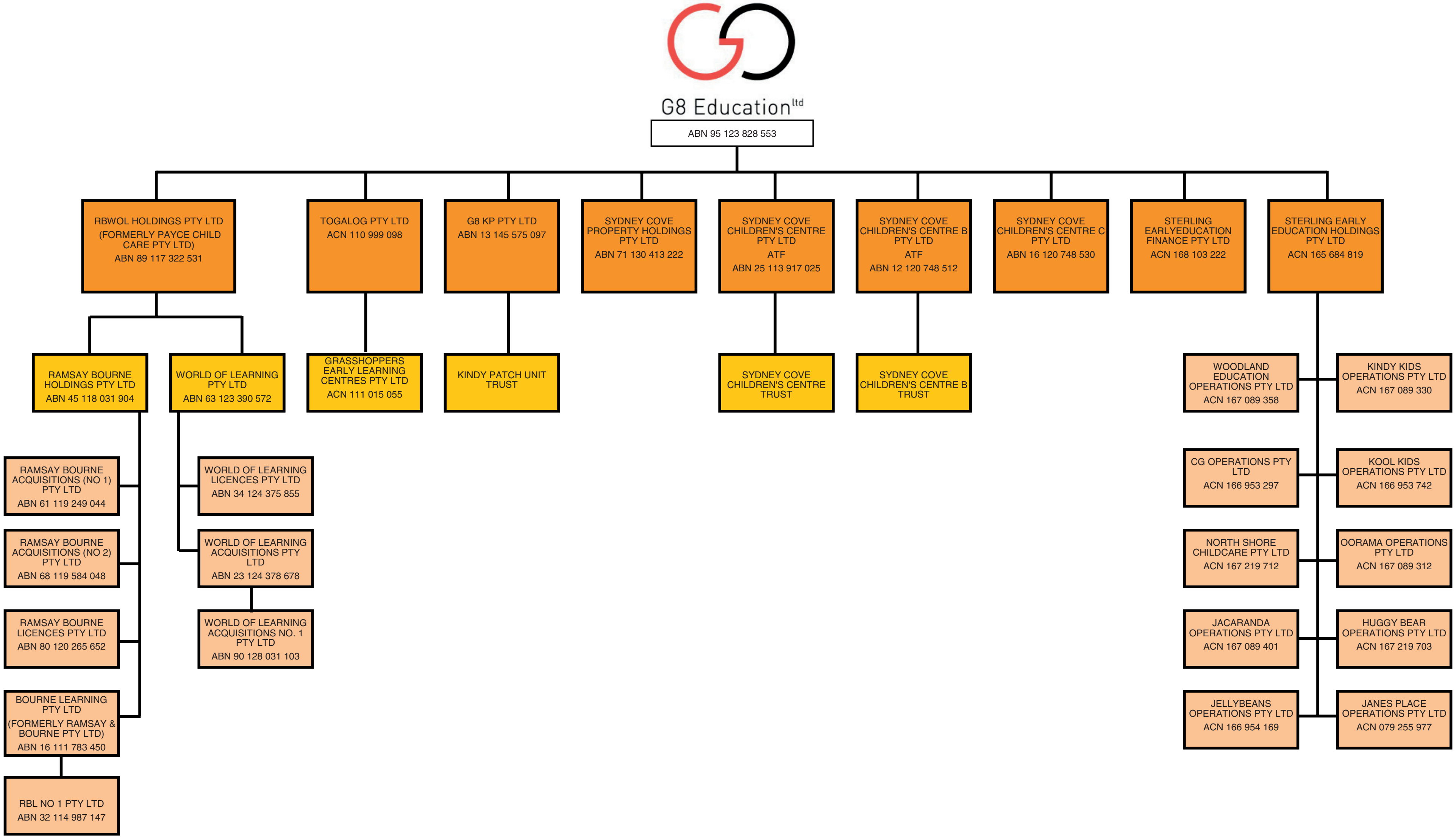
B. Corporate Structure

As at the Latest Practicable Date, the Group owns 298 childcare and education centres and 97 centres under contract in Australia and owns 18 childcare and education centres and operates 48 franchised childcare and education centres in Singapore.

The childcare and education centres are either owned by the Issuer or through its directly or indirectly-owned subsidiaries. As at the Latest Practicable Date, the Group comprises the Issuer, 30 subsidiaries in Australia together with 11 subsidiaries and 48 franchises in Singapore.

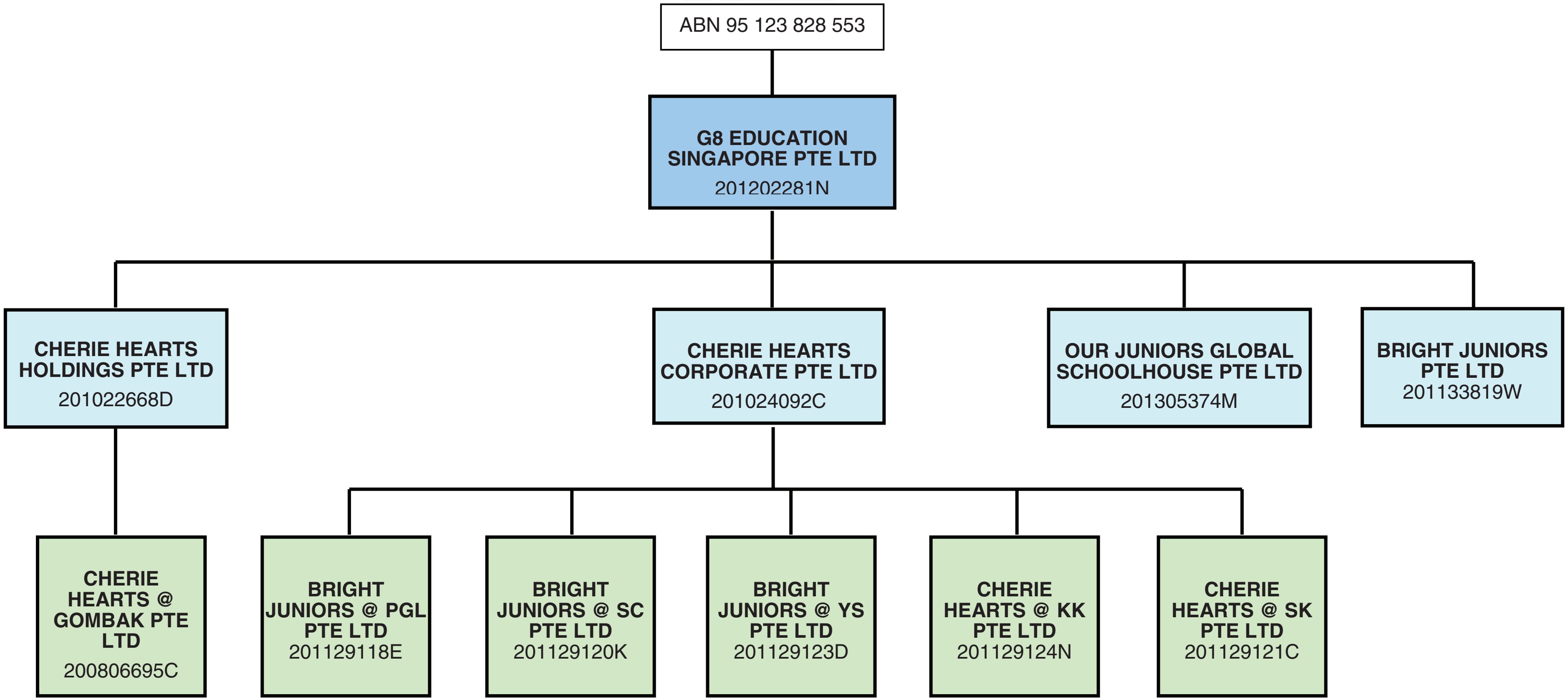
The Group's corporate structure in both Australia and Singapore as at the Latest Practicable Date is set out below.

Structure within Australia



Note: All subsidiaries are 100% owned and have G8 Education Limited as the ultimate holding company. Each of the subsidiaries listed herein are Initial Guarantors for the purposes of the Programme.

Structure within Singapore



Note: All subsidiaries are 100% owned and have G8 Education Limited as the ultimate holding company. Each of the subsidiaries listed herein are Initial Guarantors for the purposes of the Programme.

The above charts are for illustrative purposes only and reflect the subsidiaries within the Group as the Latest Practicable Date.

Each subsidiary within the Group is wholly-owned either by the Issuer directly or indirectly through a wholly-owned subsidiary. The principal activities of the subsidiaries are primarily to hold legal ownership in one or more childcare or education centres.

The Issuer does not participate in joint venture activities within the childcare and education sectors, instead preferring direct control and management of its childcare businesses.

C. Recent Developments

A number of highlights in the Group's business operations in CY13 and up to the Latest Practicable Date include:

- in February 2014, the Group announced that it will acquire 63 childcare and education centres in Australia with a total licence capacity of 4,254 places;

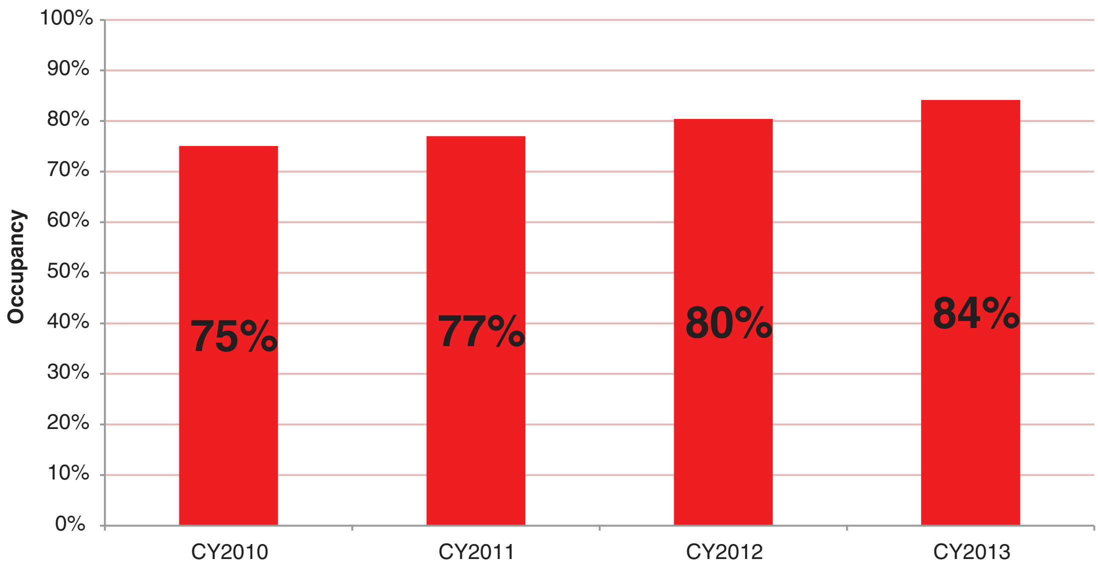
- in March 2014, the Group announced the right to acquire 91 premium childcare and education centres in Australia from a number of different vendors, which will increase Australian licensed places by 6,203 places to 27,995 places. Settlement of these acquisitions will occur progressively between 31 March 2014 and 30 September 2014, subject to contractual conditions being satisfied;

- in April 2014, the Group announced the right to acquire 7 premium childcare and education centres in Australia, which will increase the Australian licensed places by 495 places;

- expanding its portfolio of high quality childcare and educational facilities throughout 2013 with the addition of 86 childcare and education centres; and

- achieving strong like for like organic growth in terms of both centre occupancy and EBIT margin improvements. Group EBIT margins continue to grow with 17.9% achieved for CY13 (CY12: 16.3%).

The below graph demonstrates the increased occupancy of childcare and education centres within the Group over the past four CYs:



Other key business highlights of the Group for CY13 include:

- a 52.9% increase in revenue to A$275.2 million which led to an increased Net Profit After Tax ("**NPAT**") of A$31.1 million, which is an increase of 62% from CY12;

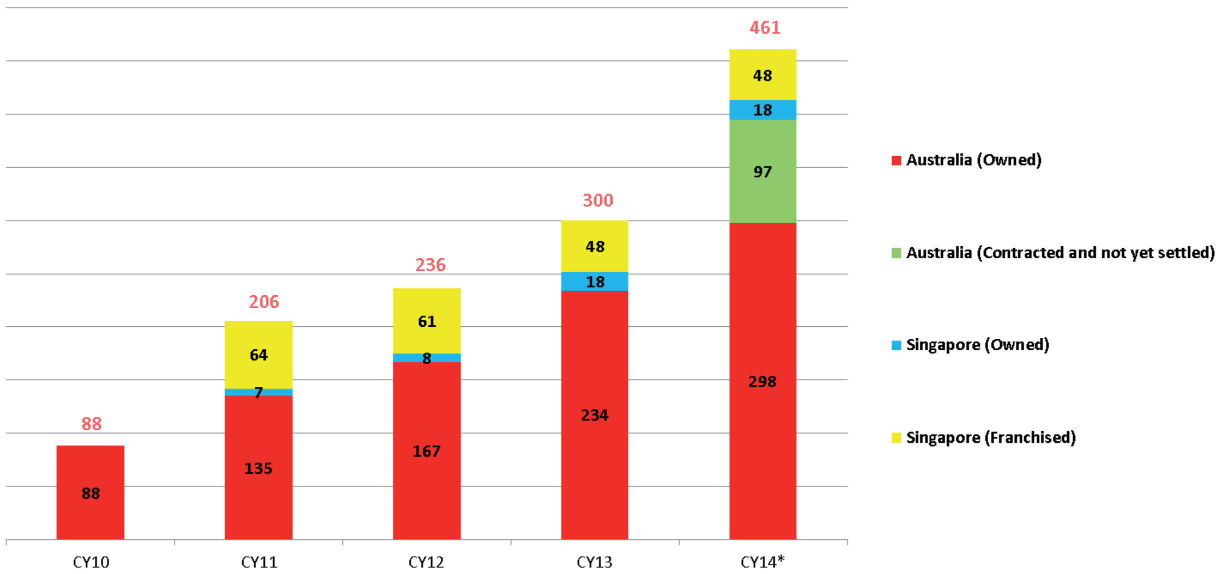
- EPS increasing by 26% to 11.28 cps; and

- delivering strong returns for shareholders with a 75% increase in the annual dividend from 8 cps per annum in December 2012 to 14 cps per annum as at December 2013. This combined with a return on invested capital of 25.9% (CY12: 24.8%) confirms the Group's ability to continually integrate centre acquisitions whilst fostering the highest level of education quality and operational performance in the Group's existing portfolio.

D. Business Operations

The principal activity of the Issuer is the operation of childcare and education centres. Growth has primarily been driven by accretive acquisitions. The Issuer has consistently employed a highly disciplined and selective acquisition strategy in expanding its brand portfolio. This has involved acquiring profitable centres which are in operation, and integrating and managing a number of key operational metrics and performance indicators to improve individual centre performance in line with the overall Group performance.

The below graph demonstrates the number of childcare and education centres owned and under contract for acquisition in Australia and owned and franchised in Singapore as at the Latest Practicable Date:



* As at the Latest Practicable Date.

The Group adopts a multi-brand approach, with no two centres being alike. Instead, the centres will differ according to the needs and wants of the local community. The Issuer focuses on identifying childcare centre brands within socio-economic areas which have the potential to increase placements, and which are able to be acquired on terms based on a multiple of centre EBIT as determined by the Issuer from time to time.

The Group includes a variety of different brands with differing levels of service and cost depending on the demographic and economic environments of the relevant centres. The Group's national footprint in each of Australia and Singapore allows the Group to provide high quality care and education for varied demographic and economic needs.

As at the Latest Practicable Date, the Group operates over 13 brands in Australia and 3 brands in Singapore.

Centre Brands in Australia

Centre Brands in Singapore

The childcare and education centres which come within each brand acquired by the Issuer continue to operate under that brand following acquisition which better ensures continuity of service standards and education methods.

While the Issuer maintains a centralised teaching curriculum which includes the key concepts to be addressed and taught within all centres, this curriculum is adaptable by the individual centres (and brands) in order to address the particular socio-economic demographic profile of that centre brand and the corresponding service level.

Senior operations managers are employed by the Issuer to ensure that the curriculum is taught and implemented in accordance with regulatory requirements. These managers are also responsible for engaging teachers with the relevant qualifications and experience.

Intellectual Property

Intellectual property in the curriculum and brand names are a key asset to the Group. The Group is active in developing and protecting its intellectual property. This is maintained through trade mark registration and the consistent monitoring of brand usage in the market place. In addition, all curriculum material is developed internally by the Issuer who owns or has a licence to use the copyright in all relevant documentation and electronic material.

Centre Portfolio

The Group operates approximately 364 childcare and education centres across Australia and Singapore (excluding an additional 97 centres under contract which are not reflected in the table below):

Centres	CY10	CY11	CY12	CY13	CY14
Australian owned	88	135	167	234	298
Singapore owned		7	8	18	18
Total owned	**88**	**142**	**175**	**252**	**316**
Singapore franchises		64	61	40	48
Total group	**88**	**206**	**236**	**292**	**364**

The childcare and education centres owned by the Group encompass a variety of different brands with differing levels of service and cost depending on the demographic and economic environments of the relevant centres. Higher service levels and attendance fees will generally be seen in high socio-economic areas, while the services and fees applicable in other demographics may be less, depending on market demand.

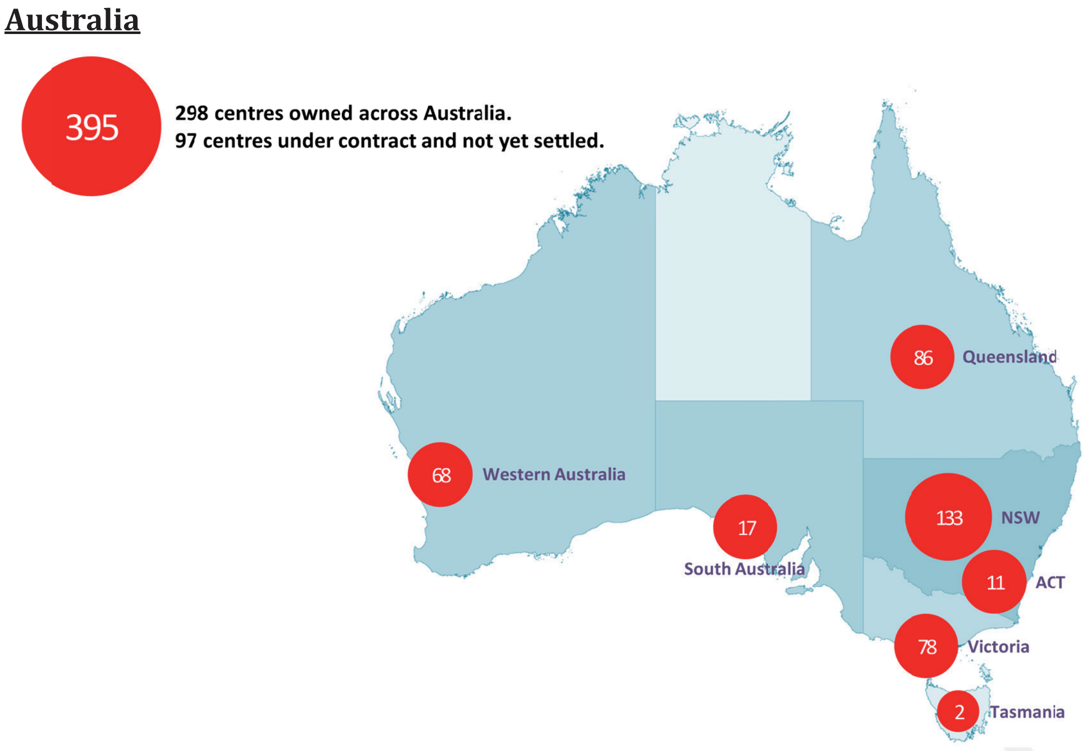
This diversity in brand and location is a critical risk management strategy and builds strength in the Group's business as a whole. For further details on this strength of the Group, please see the section entitled "*E. Competitive Strengths – Multi-brand portfolio strategy*".

Australia

As at the Latest Practicable Date, the brands operated by the Group in Australia include the following:

Australian Brands	Number of Centres
Casa Bambini	3
Community Kids	58
Early Learning Services	36
First Grammar	23
Great Beginnings	21
Headstart	10
Kinder Haven	8
Kindy Patch	24
Little Einsteins	5
NurtureOne	21
Pelican	9
Penguin	6
World of Learning	47
Other brands	27
TOTAL	**298**

Locations of childcare and education centres in Australia:



Singapore

Owned

The Group acquired seven childcare and education centres in 2011, with a further centre being acquired in 2012. The Group took ownership of a further 10 childcare and education centres in 2013. Currently, 18 childcare and education centres are owned by the Group across Singapore.

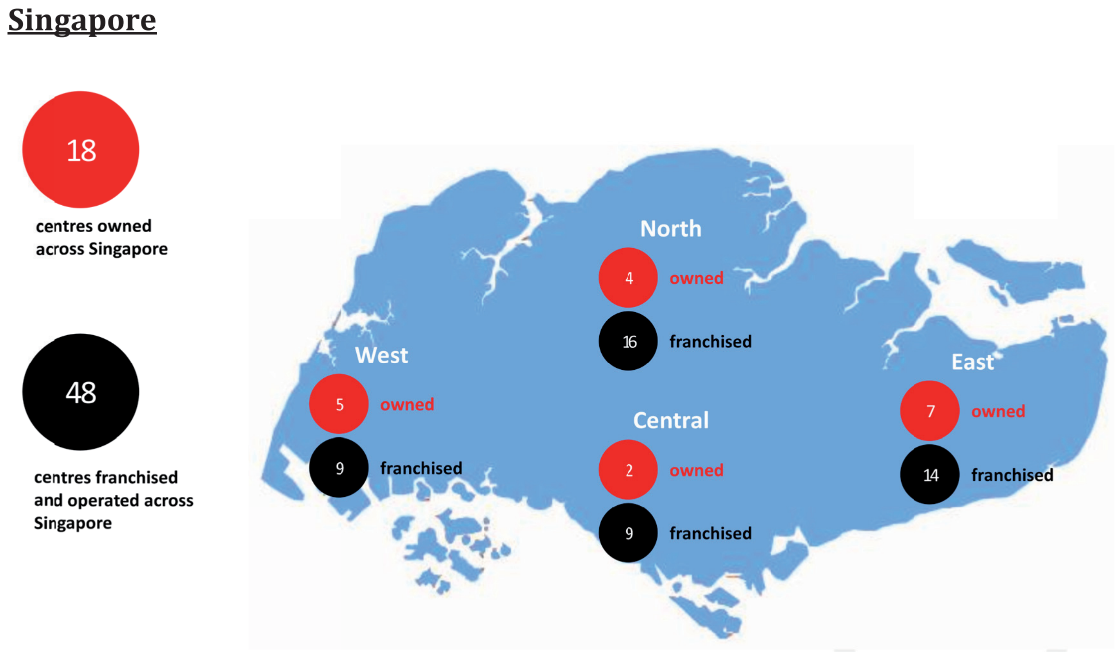
Franchised childcare and education centres

The Singapore franchised centres operate is under a 'fee for service' model. This model involves different services and levels of service being provided according to the fees being paid. Parents and guardians are able to select the level and type of service which will be provided. The "Our Juniors" and "Cherie Hearts" brands under the Group franchises and manages 48 childcare and education centres in Singapore.

As at the Latest Practicable Date, the brands operated by the Group in Singapore include the following:

Singapore Brands	Number of Centres (Owned)	Number of Centres (Franchised)
Cherie Hearts	13	43
Bright Juniors	4	-
Our Juniors	1	5
Total	**18**	**48**

Locations of childcare and education centres in Singapore:



E. Competitive Strengths

Multi-brand portfolio strategy

The Issuer has consistently expanded its portfolio of childcare centres through a highly disciplined and selective acquisition strategy. The Issuer's strength lies in operating a multi-brand strategy across both Australia and Singapore.

Brands within Australia include Community Kids, World of Learning, Kindy Patch, Headstart Early Learning Centres and Early Learning Services. Within Singapore, the brands include Cherie Hearts, Our Juniors' Schoolhouse, and Bright Juniors.

This multi-brand approach, under which centres will differ according to the needs and wants of the local community, enables the Issuer to operate a variety of brands offering differing services and attracting different fee structures for varied demographic and economic needs, thereby making childcare accessible to a wide range of households.

Revenue underpinned by supportive government policies

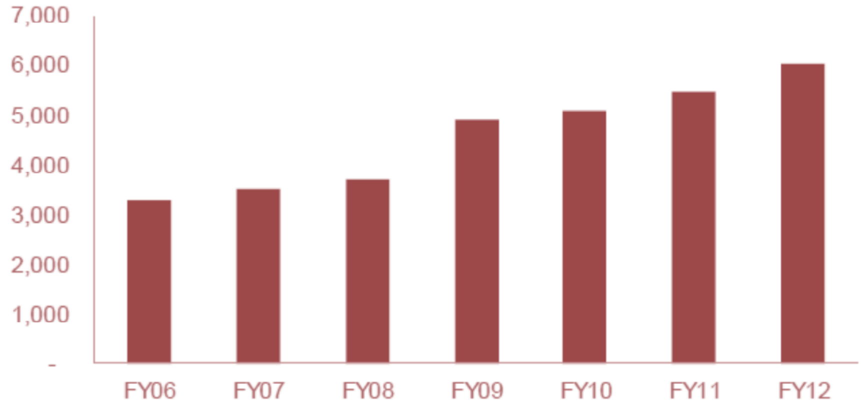
The Issuer's business strategy is supported by government funding provided for childcare services in both Australia and Singapore:

Government funding support in Australia

The Group's childcare fee revenue is significantly underpinned by government rebates and benefits. Within Australia, the childcare and education sector is characterised by strong demand, with key demand drivers for the sector being employment levels, the female participation rate, growth in the population of young Australians and real disposable household income. Improvements in all four of these matrices have been seen over the last five years in Australia.

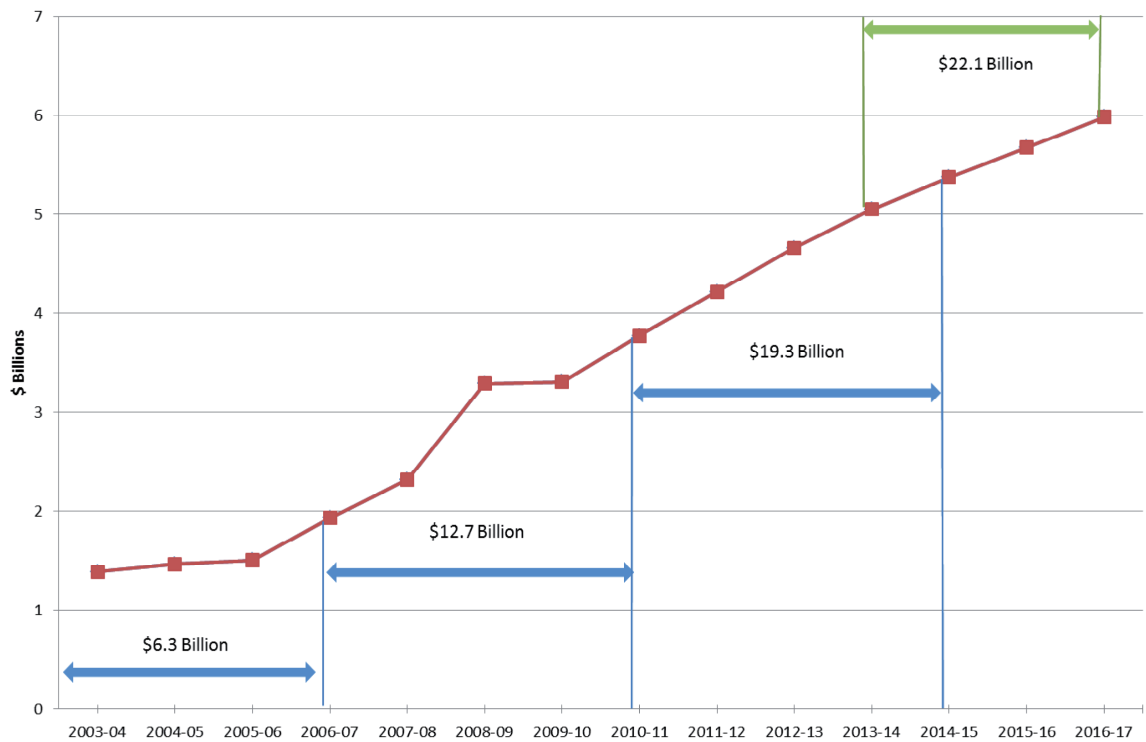
The Commonwealth Government provides fee assistance to families to increase the accessibility of childcare. Government investment in childcare has increased significantly over the last decade (Figure 2) and is expected to continue (Figure 3).

Figure 2: Total Government Expenditure ($M)



Source: Report on Government Services 2013: Total government expenditure on early childhood education and care 2012

Figure 3: Growth in Commonwealth Government funding expected through to CY17



Source: DEEWR administrative and forward estimates data. DEEWR Child Care in Australia Report, August 2013

The Commonwealth Government provides families with two main forms of financial assistance – Child Care Benefit and the Child Care Rebate. These two assistance programmes are central in supporting families to increase their participation in the workforce and the early education and development of their children.

Child Care Benefit

The Child Care Benefit, which was introduced on 1 July 2000 to replace previous Commonwealth Government funding programmes, 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 Child Care Benefit to reduce the out-of-pocket fees payable, although parents and guardians can elect to have the payment received as a lump sum. The Child Care Benefit is indexed to changes in the Consumer Price Index ("**CPI**").

Child Care Rebate

The Child Care Rebate was introduced in 2004 to supplement the Child Care Benefit 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 A$7,500 per child, per year where it will remain, subject to the passage of legislation, until 30 June 2017.

Other Commonwealth Government funding

In addition to the Child Care Benefit and Child Care Rebate, the Commonwealth Government also has in place other support initiatives to assist with the cost of childcare. These include the Jobs, Education and Training Child Care fee assistance programme, the Grandparent Child Care Benefit and the Special Child Care Benefit.

Government support in Singapore

To enhance the affordability of childcare services in Singapore, the Singaporean Government provides childcare subsidies to working and non-working mothers whose children are enrolled in a licensed centre.

From 1 April 2013, the ComCare Child Care Subsidies (also known as the Centre Based Financial Assistance for Child Care or CFAC) was combined with the universal working mother subsidy into one subsidy framework. This simplifies the application process for parents and childcare operators.

All parents will continue to receive a Basic Subsidy. Families with a gross monthly income of up to S$7,500 will receive an Additional Subsidy depending on the monthly income. Childcare centres can apply on behalf of parents for these Subsidies to the Early Childhood and Development Agency:

Basic Subsidy	Working mothers qualify for a Basic Subsidy of up to S$600 for infant care and S$300 for childcare. Non-working mothers receive S$150 for both child care and infant care.
Additional Subsidy	Families with a gross household income of S$7,500 and below, or larger families with a per capita income of S$1,875 and below, will benefit from an additional subsidy of at least S$200 for infant care and S$100 for childcare.

This funding support contributes to the financial revenue generated by the Group's childcare and education centres in Singapore.

Strong long-term demand for early childhood education services

Reports indicate a changing attitude in parents from viewing childcare as 'child minding' to being an important educational foundation step to better educational outcomes for their children.

The National Quality Framework was introduced in Australia in 2012, and increases the propensity of parents/guardians to view childcare as an educational imperative. From 2000 to June 2011, the proportional attendance rate of childcare services grew in Australia from 21% to 38%.

This change in attitude, combined with the increased number of women in the workforce which is expected to continue (leading to greater demand for childcare places), increases in Government funding from A$6 billion in 2011/12 up 63% from 2007/08, and an undersupply of childcare places in key demographic areas within Australia, create significant opportunities for growth for the Group.

With a portfolio of diverse education brands to cater to a wider group of parents and guardians, the Group is uniquely positioned to take advantage of the increased demand for childcare services.

Acquisition opportunities driven by highly fragmented industry

The childcare industry in Australia is highly fragmented. There are approximately 6,500 long day care centres across Australia, with the Issuer representing approximately 4.5% of the market, being the second largest provider of childcare services in Australia. Amongst the Group's competitors, the largest is a not-for-profit company known as Goodstart Early Learning Limited, which represents approximately 12% of the market. This means that there are approximately 4,000 centres which are potentially available for acquisition within Australia.

This low level of ownership concentration, where most of the childcare sector in Australia is owned by many different childcare operators, has enabled the Group to be highly selective in targeting potential businesses for acquisition.

Portfolio of high quality established childcare centres

The Issuer has a comprehensive and sophisticated methodology in identifying appropriate childcare centres to acquire as part of its portfolio. Strict selection criteria have been applied, and the current portfolio has been structured in geographical clusters that enable cost efficient regional management practices. For further details on the Issuer's acquisition strategy, please refer to the section entitled "*F. Business Strategies – Acquisition strategy*".

The diversity of brands and geographical locations of childcare and education centres within the Group's portfolio contributes greatly to its earnings resilience.

Potential acquisition opportunities

The Group has developed good relationships with brokers and vendors of childcare centres, as well as a strong reputation in the sector for disciplined due diligence and financial strategy.

The Group will continue to implement best practice operating efficiencies to improve organic performance. This will in turn increase the potential of acquisition opportunities.

F. Business Strategies

The Issuer's business strategies include accretive acquisitions, quality care and education, maintenance of a strong workplace culture and strong local community support.

Acquisition strategy

The Issuer focuses on identifying childcare centre brands within socio-economic areas which have the potential to increase placements, and which are able to be acquired on terms based on a multiple of centre EBIT as determined by the Issuer from time to time.

The Group includes a variety of different brands with differing levels of service and cost depending on the demographic and economic environments of the relevant centres.

Quality care and education

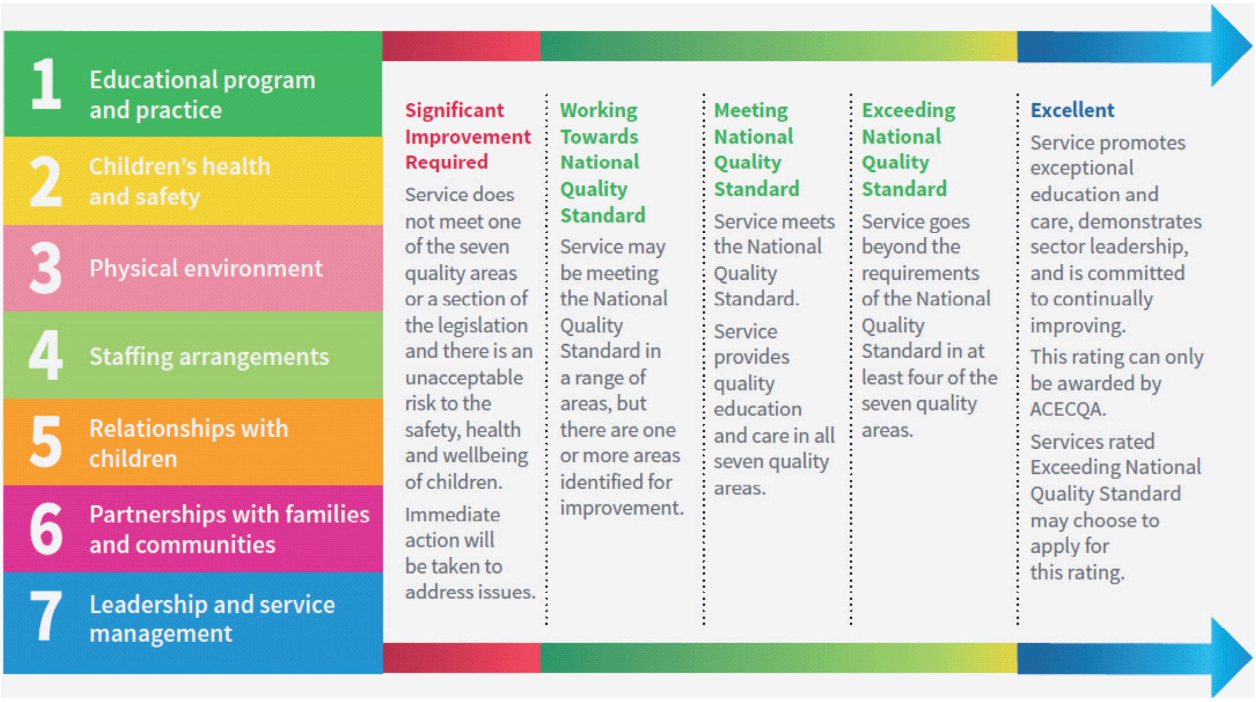
In 2013, the Group invested A$9.4 million on improving childcare facilities including outdoor and indoor renovations and the introduction of new educational resources. The Group believes that continually investing in its facilities provides the tools for its educators to continue to deliver exceptional care and education for the thousands of children that attend the Group's childcare and education centres.

National Quality Framework

In Australia, the recent introduction of the National Quality Framework has resulted in a large change to the regulatory environment of the childcare industry in Australia. Introduced in January 2012, the framework replaces existing state-based standards, licensing and regulations. As an agreement between the Commonwealth, State and Territory Governments of Australia, it establishes a standardised national quality assessment and regulation framework for early childhood education and care. The National Quality Framework initially covers most long day care services, outside school hours care services, preschools (or kindergartens) and family day care services; however, some services are excluded such as occasional care and education and in-home care and education.

National Quality Standard

The National Quality Standard is a key aspect of the National Quality Framework, and 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' as well as an overall rating. The ratings process aims to drive continuous quality improvement and provide families with better information for making choices about their children's education and care.



Within Australia, the Group continues to be assessed under the National Quality Framework. As at the Latest Practicable Date, 62 childcare and education centres have been assessed across 169 quality areas. All centres owned by the Group which have been assessed, have received results which mean that no significant improvement is required. The Issuer anticipates that the rest of the Group's childcare and education centres in Australia will undergo assessment in due course.

Employees

The Group is committed to maintaining a positive workplace culture and is focused on becoming an employer of choice through offering a number of workplace benefits for over 6,200 employees employed in the Group's childcare and education centres in Australia and Singapore.

The Group's management team remains disciplined and focused on providing support for its network of front line childcare educators. The Group's area managers and corporate support teams are charged with the day-to-day role of supporting its educators in the field to ensure they are providing the highest level of care and education for the children attending its childcare and education centres.

With a continued focus on providing the highest level of employee workplace satisfaction and engagement, staff turnover within the Group has declined.

Community

In 2013, the Group provided care and education to over 29,600 children in Australia with 19,085 places available each day. The Group now operates under 13 brands in Australia, which are developed to ensure that the needs of its local community are being met. No two centres are the same and are a collaboration of children, parents and educators who attend the centre.

All centres continue to be an integral part of their local community offering support to the families, charities and community events.

G. Corporate Governance of the Group

The Group's rigorous corporate governance policies and practices are fundamental to the long term success and prosperity of the Group. The Group regularly reviews its governance practices to address its obligations as a responsible corporate entity.

Constitution

The constitutions of the Group set the minimum number of Directors at three. There are currently five Directors on the Board, comprising one Executive Director and four Non-Executive Directors.

Selection of Directors and responsibilities

The Nomination Committee is responsible for the screening of Board candidates and makes recommendations to the Board for the appointment of new Directors and nomination for re-election of existing Directors. Directors are selected having regard to, amongst other things, an individual's skills, experience and expertise, taking account of their breadth of experience and diversity of skills as well as their ability to devote the time necessary to fulfil their duties as a Director. New Directors are nominated by the Board and then stand for election at the Annual General Meeting following their appointment in order to be confirmed into office. One third of the longest-serving Non-Executive Directors must stand for re-election each year.

The Board Charter sets out the role, structure, responsibilities and operation of the Board as well as the function and division of responsibilities between the Board and senior management. The Board delegates authority for certain functions and matters necessary for the day-to-day management of the Group to senior management, who then delegates appropriately as required.

Meetings of the Directors and access to information

There are eleven scheduled meetings each year and additional meetings are held in between scheduled meetings as required. The number of Directors required to constitute a quorum is two.

All Directors have access to Group information, senior management and employees as required to enable them to fulfil their responsibilities. Management briefings are given at every Board meeting, and Directors are regularly briefed on key business and industry developments and matters material to their role. Any Director may seek external, independent, professional advice at the expense of the Group.

To further facilitate independent decision making by the Board, a separate session for Directors to meet without management present is scheduled as a permanent agenda item at Board meetings.

Ethical standards

The Group Code of Conduct sets out the standards of conduct expected of its businesses and people, regardless of location. It applies to all Directors and employees of the Group.

Directors are required, upon their appointment, to disclose to the Group any interests or directorships which they have with other organisations and update this information if it changes during the course of the directorship.

The Group Securities Trading Policy sets out the circumstances in which Directors and employees may deal in the Group's securities. The policy complies with the requirements of the ASX Listing Rules in relation to Securities Trading Policies.

Audit arrangements

The Audit Committee is responsible for making recommendations to the Board as to the selection, re-appointment or replacement of the auditor and the rotation of the lead audit partner. The audit partner is rotated appropriately.

The Group has a comprehensive policy that aims to ensure that services provided by the external auditor do not impact or have the potential to impact upon their independence.

Risk management

The Group uses a risk management approach to identify, evaluate, address, monitor, quantify and report material business risks to the Audit Committee. The objective of this approach is to enhance stakeholder value through continuous improvement in the Group's management of risk.

Management is responsible for keeping the Board's Audit Committee informed on a regular basis of material business risks.

Liquidity management

The Group's liquidity risk exposure is monitored with a view to maintaining sufficient levels of cash and committed credit facilities to meet financial commitments as and when they fall due.

Liquidity risk is reduced through prudent cash management, aiming to ensure sufficient levels of cash are maintained to meet working capital requirements. It also allows flexibility of liquidity by seeking to match maturity profiles of short term investments with cash flow requirements, and timely review and renewal of credit facilities.

H. Directors, Management and Staff

Directors

The Board is entrusted with the responsibility of the overall management of the Group. Certain information on the business and working experience of the Directors is set out below:

Jennifer Joan Hutson (*Chairperson*)
B.Com, LLB, FAIMM
Independent Non-Executive Director

Jennifer is an investment banker and fund manager. She is an experienced corporate adviser and company director. She has over 20 years' experience in advising listed companies on capital raisings, merger and acquisitions, finance and governance issues.

She was previously Chairperson of S8 Limited, Harvey World Travel and Travelscene American Express, and a director of the Royal Children's Hospital Foundation and the Centenary Committee for Surf Life Saving Australia.

Christopher John Scott (*Managing Director*)
B.Econ. (Hons)
Executive Director

Christopher has over 25 years experience in senior management positions. He has spent over 30 years in business in Singapore where he was involved in a number of successful businesses.

Chris was also the founder and managing director of ASX-listed S8 Limited, which was an integrated travel company that made 36 acquisitions over five years and was capitalised at $700 million. His operational, analytical and strategic skills are critical to the selection of potential acquisitions by the Group.

Brian Hilton Bailison
B.Com., B.Acc (Cum Laude), ACA
Non-Executive Director

Brian has over 17 years experience in finance, corporate finance and operations from senior roles in listed and unlisted businesses in South Africa and Australia, including senior positions at Rand Merchant Bank Limited (South Africa's largest bank-assurance business), the Ivany Investment Group (diversified investment group) and Payce Consolidated Limited (which operated 59 childcare centres prior to becoming part of the Group).

Andrew Peter Somerville Kemp
B.Com., CA
Non-Executive Director

Andrew is the managing director of Huntington Group, a Queensland based advisory firm. Andrew has structured and implemented the ASX listing of over 10 companies in addition to other corporate advisory and investment activities.

Andrew joined AIFC, the merchant banking affiliate of the ANZ Banking Group in Sydney and then opened AIFC's Queensland office in 1979. He established Huntington Group in 1987.

Susan Margaret Forrester
BA, LLB (Hons) EMBA, FAICD
Non-Executive Director

Susan is an experienced company director with a diverse portfolio career. She has a significant blend of commercial, financial and legal management experience gained across public and private organisations.

She is currently a director of Healthdirect Australia Limited and is the Chairperson of Oncore Group Holdings and Propell National Valuers.

Susan also leads the Strategy Practice of Board Matters Pty Ltd, where she provides expert advice to listed and unlisted boards on board governance, executive and strategy issues.

Company Secretary

Christopher Sacre
B.Bus, CA, SA Fin, GDipAppFin (Finsia)
Chief Operating and Financial Officer and Company Secretary

Chris is the Group Chief Operating and Financial Officer, responsible for financial management including reporting, forecasting (short term and long term growth), centre acquisition and operational management.

Chris' formal qualifications include a Bachelor of Business, and a Graduate Diploma of Applied Finance. Chris is a qualified Chartered Accountant and a fellow member of the Financial Services Institute of Australasia. Chris provides invaluable experience and skills from a business and financial perspective and is integral in the acquisition process.

Chris has been involved in the childcare industry since 2007.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The Group's consolidated income statements for the full years ended 31 December 2011, 31 December 2012 and 31 December 2013, as well as consolidated balance sheets as at 31 December 2011, 31 December 2012 and 31 December 2013, are summarised below. The financial information presented in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in a consolidated financial report prepared in accordance with Australian Accounting Standards and the Corporations Act of Australia. The full consolidated financial reports for the full years ended 31 December 2011, 31 December 2012, and 31 December 2013 are appended as Appendix II, III and IV respectively.

Consolidated Income Statements

	CY2011 A$'000	CY2012 A$'000	CY2013 A$'000
Revenue from continuing operations	137,949	179,027	274,615
Other Income	4,950	964	550
Expenses			
Employee benefits	(82,802)	(106,311)	(159,586)
Occupancy	(18,390)	(22,800)	(33,323)
Direct costs of providing services	(9,845)	(13,543)	(21,449)
Legal fees	(1,400)	(789)	(742)
Amortisation	(192)	(473)	(381)
Depreciation	(1,711)	(2,057)	(3,129)
Impairment Loss	(587)	(9)	-
Insurance	(512)	(537)	(698)
Other expenses	(2,578)	(4,065)	(6,469)
Finance costs	(2,188)	(2,539)	(4,790)
Total expenses	(120,205)	(153,123)	(230,566)
Profit before income tax	22,694	26,868	44,599
Income tax expense	(5,444)	(7,660)	(13,527)
Profit for the year	**17,250**	**19,209**	**31,072**
Reconciliation of NPAT to underlying NPAT			
Less non-recurring transactions:			
Deferred consideration	(4,299)	(954)	(550)
Non-recurring legal expenses	956	535	528
Share based payment expenses	-	250	208
Stamp duty	-	494	207
Write off of refinancing borrowing costs	-	196	0
Loss on sale	-	-	811
Underlying NPAT	**13,907**	**19,730**	**32,276**
	Cents	**Cents**	**Cents**
Basic earnings per share	9.27	8.95	11.28
Diluted earnings per share	9.27	8.94	11.28
Underlying earnings per share	7.48	9.20	11.72

Consolidated Balance Sheets

	CY2011 A$000	CY2012 A$000	CY2013 A$000
ASSETS			
Current assets			
Cash and cash equivalents	14,166	21,790	114,043
Trade and other receivables	8,110	12,711	9,613
Other current assets	14,260	16,750	4,424
Assets classified as held for sale	-	108	-
Total current assets	36,536	51,359	128,080
Non-current assets			
Receivables	-	1,865	1,640
Property plant and equipment	7,975	10,646	18,069
Deferred tax assets	1,883	3,558	7,320
Goodwill	142,083	201,814	326,857
Total non-current assets	151,941	217,883	353,886
Total assets	**188,477**	**269,242**	**481,966**
LIABILITIES			
Current Liabilities			
Trade and other payables	27,926	23,634	39,825
Borrowings	316	2,720	3,778
Employee entitlements	4,367	7,471	11,214
Derivative financial instruments	-	328	283
Current tax liabilities	3,880	5,176	8,910
Total current liabilities	36,489	39,329	64,010
Non-current liabilities			
Borrowings	36,083	46,532	110,436
Other payables	741	-	760
Provisions	-	1,073	1,974
Total non-current liabilities	36,824	47,605	113,170
Total liabilities	**73,313**	**86,934**	**177,180**
NET ASSETS	**115,164**	**182,308**	**304,786**
EQUITY			
Contributed equity	117,829	180,160	302,001
Reserves	(790)	8,048	18,884
Retained earnings	(1,875)	(5,900)	(16,099)
Total equity	**115,164**	**182,308**	**304,786**

FINANCIAL SUMMARY AND OVERVIEW

REVIEW OF THE GROUP'S FINANCIAL PERFORMANCE

CY13 versus CY12

Strong total revenue growth of A$95.2 million was reported in CY13 representing a 52.9% increase from CY12 due to contributions to revenue from acquisitions. As a result, profit increased by 61.8% to A$31.1 million in CY13.

Similarly, employee benefits increased by 50.1% to A$159.6 million in CY13 due to an increase in employee entitlements over the period because of the increase in the number of childcare and education centres owned in Australia in CY13.

Direct costs of providing services increased by 58.4% to A$21.4 million in CY13. Finance costs also increased by 88.6% to A$4.8 million in CY13.

Underlying EBIT margin increased by 1.6% from 16.3% in CY12 to 17.95% in CY13 as organic growth and growth synergies flowed through to the Group earnings.

Underlying NPAT margin increased from 10.7% in CY12 to 11.3% in CY13.

Underlying EPS increased by 27.4% from 9.2 cps in CY12 to 11.72 cps in CY13.

<u>CY12 versus CY11</u>

Revenue from operations grew by A$41.1 million in CY12 compared to CY11 representing a 29.8% increase from CY11 due to contributions from acquisitions. As such, profit increased by 11.4% to A$19.2 million.

Other income in CY11 was materially higher than CY12 due to a net gain on disposal of assets and deferred consideration not payable which is taken through the income statement.

There was an increase in employee entitlements over the period due to the increase in the number of centres owned in Australia in CY12.

Direct costs of providing services likewise increased by 37.6% to A$13.5 million in CY12. Finance costs also increased, by 16.0%, to A$2.5 million in CY12.

Underlying EBIT margin grew by 1.2% from 15.6% in CY11 to 16.8% in CY12 as organic growth and growth synergies flowed through to the group earnings.

Underlying NPAT margin increased from 10.0% in CY11 to 11.0% in CY12.

Underlying EPS increased by 23.0% from 7.48 cps in CY11 to 9.20 cps in CY12.

REVIEW OF THE GROUP'S FINANCIAL POSITION

CY13 versus CY12

Cash reserves increased to A$114.0 million, by 423.4%, in CY13 from A$21.8m in CY12.

Other current assets decreased from A$16.75 million to A$4.42 million in the period, representing a 73.6% decrease. This was because the Group's assets in Singapore were reclassified as goodwill after the Group took operational control of the childcare and education centres on 1 January 2013.

Property, plant and equipment ("**<u>PP&E</u>**") increased by A$7.4 million from CY12 to CY13. Excluding the purchase of the new head office building for A$3.5 million, the remaining increase of A$3.9 million relates to centre improvements and technology upgrades.

In CY13, intangible assets (i.e. goodwill) amounted to A$326.9 million. This represented the purchase price of the childcare centres (adjusted for fair value movements where applicable). The significant level of acquisition activity in 2013 has driven the increase in reported goodwill.

The increase in trade and other payables of A$16.2 million to A$39.8 million in CY13 was mainly due to dividend payables of A$5.6m, deferred centre acquisition payments of A$2.8 million and A$5.5 million increase in other payables and accruals (including payroll accruals).

Borrowings include senior secured bank debt of A$46.4 million and an unsecured corporate note of A$70 million. The amounts recorded in the balance sheet are net of establishment costs.

CY12 versus CY11

Cash reserves in CY12 amounted to A$21.8 million, a 53.8% increase from CY11.

Other current assets increased from A$14.3 million to A$16.7 million in the period, representing a 17.5% increase.

PP&E increased by A$2.7 million from CY11 to CY12 due to infrastructural additions to the childcare centres and other upgrades to the amenities.

Intangible assets increased by 42.0%, to A$201.8 million in CY12. This represented the purchase price of the childcare centres (adjusted for fair value movements where applicable). The significant level of acquisition activity in CY12 has driven the increase in reported goodwill.

The decrease in trade and other payables of 15.4% to A$23.6 million in CY12 was due to the following:

(a) an increase in trade payables of A$2.3 million, other payables and accruals of A$1.1 million, income received in advance of A$1.6 million and centre enrolment advances of A$0.8 million, all due to increased number of childcare and education centres owned CY12 as compared to CY11;

(b) a decrease of A$13.1 million in deferred centre acquisition payables due to the payment or write back of centre earn out payments; and

(c) an increase in dividend payables of A$3.0 million due to increased issued capital and dividend rise.

The increase in borrowings of 35.3% to A$49.3 million in CY12 solely relates to drawdowns in the Group's senior debt facility to fund centre acquisitions.

RISK FACTORS

Prior to making an investment or divestment decision, prospective investors or existing holders of the Securities should carefully consider, amongst other things, all the information set forth in this Information Memorandum including the risk factors set out below. Any of the following risks could adversely affect the Issuer, the Guarantors and/or the Group's business, assets, financial condition, results of operations or prospects and, as a result, investors could lose all or part of their investment. The risk factors set out below do not purport to be complete or comprehensive of all the risks that may be involved in the businesses of the Issuer, the Guarantors or the Group, or any decision to purchase, own or dispose of the Securities. Additional risks and uncertainties which the Issuer, the Guarantors or the Group are currently unaware of may also impair their businesses, assets, financial condition, performance or prospects. If any of the following risk factors develop into actual events, the business, assets, financial condition, performance or prospects of the Issuer, the Guarantors and/or the Group could be materially and adversely affected. In such cases, the ability of the Issuer and the Guarantors to comply with its obligations under the Trust Deed and the Securities may be adversely affected.

LIMITATIONS OF THIS INFORMATION MEMORANDUM

This Information Memorandum does not purport to nor does it contain all information that a prospective investor in or existing holder of the Securities may require in investigating the Issuer, the Guarantors or the Group, prior to making an investment or divestment decision in relation to the Securities issued under the Programme. Neither this Information Memorandum nor any other document or information (or any part thereof) delivered or supplied under or in relation to the Programme or the Securities (nor any part thereof) is intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Guarantors, any of the Dealer(s) or the Arranger that any recipient of this Information Memorandum or any such other document or information (or such part thereof) should subscribe for or purchase or sell any of the Securities. This Information Memorandum is not, and does not purport to be, investment advice. A prospective investor should make an investment in the Securities only after it has determined that such investment is suitable for its investment objectives. Determining whether an investment in the Securities is suitable is a prospective investor's responsibility, even if the investor has received information to assist it in making such a determination. Each person receiving this Information Memorandum acknowledges that such person has not relied on the Issuer, the Guarantors or their respective subsidiaries, associated companies (if any) or joint venture companies (if any), any of the Dealer(s) or the Arranger or any person affiliated with each of them in connection with its investigation of the accuracy or completeness of the information contained herein or of any additional information considered by it to be necessary in connection with its investment or divestment decision. Any recipient of this Information Memorandum contemplating subscribing for or purchasing or selling any of the Securities should determine for itself the relevance of the information contained in this Information Memorandum and any such other document or information (or any part thereof) and its investment or divestment should be, and shall be deemed to be, based solely upon its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Guarantors and their respective subsidiaries, associated companies (if any) and joint venture companies (if any), the terms and conditions of the Securities and any other factors relevant to its decision, including the merits and risks involved. A prospective investor should consult with its legal, tax, financial and/or other advisers prior to deciding to make an investment in the Securities.

RISKS RELATING TO THE GROUP

The Group may be affected by general economic conditions

Changes in prevailing economic conditions in Australia, Singapore and other locations where the Group operates may impact (either favourably or unfavourably) on the Group's businesses.

Relevant economic factors may include but are not limited to: changes in interest rates and inflation, changes in gross domestic product and economic growth, employment levels and consumer spending, consumer and investment sentiment, property market volatility and the availability of debt and equity capital. Global economic conditions are currently challenging, with significant downside risks to growth in different geographic regions and disruptions to global capital markets in the face of uncertain economic conditions and the risk of sovereign debt defaults within the Eurozone.

Whilst the Group monitors economic, market, industry and company specific developments, it is difficult to predict how long the current challenges will persist and which economies, markets, industries and companies will be affected. As such, this may affect the enrolment in the Group's childcare and education centres, which may adversely the Group's financial condition, results in operations and the Issuer's ability to make payments on the Securities.

The Group may be affected by funding difficulties

The acquisition of childcare centres is capital intensive. The ability of the Group to raise funds (equity or debt) on acceptable terms will depend on a number of factors including capital market conditions, general economic and political conditions, the Group's performance and credit rating, and credit availability and both the cost and availability of such funding may be negatively affected by the current disruptions in global capital markets.

Changes in the cost of current and future borrowings and equity raisings may impact the earnings of the Group, and impact the availability of funding for new acquisitions or increase refinancing risks as debt facilities mature.

The Group may encounter difficulties in completing or integrating acquisitions, which could adversely affect its operating results

The Group expects to expand its presence in new geographical areas by acquiring new childcare brands, and this may involve acquisitions of entire companies, portions of companies and acquisitions of businesses or selected assets. Potential challenges related to the Group's acquisitions and joint ventures include:

- paying an excessive price for acquisitions and/or incurring higher than expected acquisition costs;
- difficulty in integrating acquired businesses;
- difficulty in implementing its financial and management controls, reporting systems and procedures;
- difficulty in maintaining customer, supplier, employee or other favourable business relationships of acquired operations and restructuring or terminating unfavourable relationships;
- ensuring sufficient due diligence prior to an acquisition and addressing unforeseen liabilities of acquired businesses;
- failing to realise the benefits from goodwill and intangible assets resulting from acquisitions which may result in write-downs; and
- failing to achieve anticipated business volumes.

Any of these factors could prevent the Group from realising the anticipated benefits of an acquisition, including additional revenue, operational synergies and economies of scale. The Group's failure to realise the anticipated benefits of acquisitions could adversely affect its business and operating results.

Acquisitions or expansions investments may require the Group to increase its level of indebtedness or issue additional equity

Part of the Group's expansion strategy is to make earning per share accretive acquisitions and should the Group desire to consummate significant additional acquisition opportunities or undertake significant additional expansion activities, its capital needs would increase and it may need to increase available borrowings under its credit facilities or access the public or private debt and equity markets. There can be no assurance, however, that the Group will be successful in raising additional debt or equity on terms that it would consider acceptable or at all.

An increase in the level of the Group's indebtedness could, among other things:

- make it difficult for it to obtain financing in the future for acquisitions, working capital, capital expenditures, debt service requirements or other purposes;
- limit its flexibility in planning for or reacting to changes in its business;
- affect its ability to pay dividends;
- make it more vulnerable in the event of a downturn in its business; and
- affect certain financial covenants that it must comply with in connection with its credit facilities.

An adverse change in the interest rates for the Group's borrowings could adversely affect its financial condition

The Group pays interest on outstanding borrowings under some of its credit facilities at interest rates that fluctuate based upon changes in the Swap Rate. An adverse change in the Swap Rate could have a material adverse effect on the Group's financial performance, financial position, cash flows and ability to borrow money in the future.

The Group may be restricted from engaging in certain business activities or undertaking certain corporate or other actions under the terms of the existing or future indebtedness

The Group has various restrictive covenants in relation to its debt facilities, including interest cover, gearing and negative pledge covenants. While there is adequate head-room to the Group's financial covenants, certain factors could lead to a breach of such covenants. In such an event, the Group's lenders may require their loans to be repaid immediately. Other covenants relate to change of control events. In the event a change of control occurs, a review event or right to early payment in some facilities may be triggered and may result in debt becoming immediately due for payment. These covenants could limit the Group's ability to finance its future operations, expansion initiatives and capital needs, and its ability to pursue new projects or other business opportunities and activities.

There can be no assurance that the Group's businesses will generate sufficient cash to enable it to service its debt obligations, comply with applicable restrictive covenants or to fund other liquidity needs and capital expenditure requirements, or that the Group will be able to refinance its debt or capital investment requirements on commercially reasonable terms or at all.

Terms of additional debt financings may place significant additional restrictions on the Group and may, among other things, increase its vulnerability to general adverse economic and industry conditions, limit its ability to pursue its growth plans, require the Group to dedicate a substantial portion of its cash flows from operations to payments on such debt, and otherwise generally limit its flexibility in planning for or reacting to changes in its business and industry, either through the imposition of restrictive financial or operational covenants, or other general restrictions under the terms of its existing indebtedness.

The Group may be affected by changes to Accounting Standards

The Australian Accounting Standards Board ("**AASB**") has, from time to time, issued new and revised Australian Accounting Standards ("**AAS**"). As accounting standards continue to develop, the AASB may in the future issue new and revised AAS and the Group may be required to adopt new accounting policies which might or could have a significant impact on the Group's financial position or results of operations.

The Group may be affected by the competitiveness of its industry

The Group currently operates in a highly competitive and fragmented industry with a large and increasing number of players in both Australia and Singapore. The Group believes that in order to remain competitive in the industry, it will need to continue to manage costs, maintain operational efficiency and service excellence. Failure by the Group to achieve all or any of the above could result in the Group's business, financial performance and financial position being materially and adversely affected.

The Group may be affected by changes in licensing requirements

As at the Latest Practicable Date, the Group operates in Australia and Singapore.

As such, the Group's activities are subject to various licensing requirements in Australia and Singapore in order to operate childcare and education centres. Such licences are renewed on a periodic basis and contain various on-going conditions, including, but not limited to, the Group meeting certain requirements relating to its financial position. Any unexpected termination or suspension of any licence or non-renewal of any of the Group's licences for whatever reason would result in the cessation of such licenced business activity and/or curtail the Group's ability to offer childcare services in certain areas. In addition, if the Group is unable to obtain new licences for which it has received fees in advance, it may have to refund such fees. Consequently, the Group's business, financial performance and financial position will be adversely affected.

In addition, there can be no assurance that the Group will be able to successfully renew its existing commercial and regulatory licences, in each case, the Group's business, prospects, profitability and financial condition may be materially and adversely affected.

The Group may be affected by changes in regulations

The Group's operations are regulated by various authorities in Australia and Singapore and are subject to the prevailing laws and regulations in Australia and Singapore. Any changes in such laws and regulations may have a material and adverse effect on the business, financial performance and financial position of the Group, and may result in higher costs of compliance for the Group.

In addition, in the event that the Group is found not to be in compliance with any regulations, standards or policies promulgated by any relevant authority in Australia or Singapore, such authority may be able to do one or more of the following:

- impose monetary fines or penalties on the Group;
- limit or terminate the Group's operations;
- restrict, suspend or revoke the Group's accreditation, licence or other approval to operate in the relevant country;
- subject the Group to other civil or criminal penalties; and/or
- subject the Group to other forms of censure.

Any of the penalties, restrictions or other forms of censure listed above could have a material adverse effect on the business, financial performance and financial position of the Group.

The Group may be affected if it is unable to retain or hire competent teaching staff

The Group's performance depends on the ability of the teaching staff to impart knowledge and skills to the children and students in the Group's childcare and education centres. Any inability to hire or identify competent teaching staff to retain and motivate existing teaching staff or to find adequate replacements for teaching who leave the employment of the Group may adversely impact the Group's business and operations, financial performance and position, which may in turn affect the Issuer's ability to make payments on the Securities.

The Group may be affected if it loses key personnel

The Group's performance depends, in part, on the continued service and performance of its executive officers. If such key personnel were to leave the employment of the Group, the Group will need to spend time searching for a replacement and the duties which such executive officers are responsible for may be affected. The loss of any of such key personnel could have a material and adverse effect on the Group's business, financial performance and financial position, which may in turn affect the Issuer's ability to fulfil its payment obligations under the Securities.

The continued growth of the Group's business in future also depends upon its ability to attract and retain suitable employees, especially for its management teams. In the event of a depressed economic environment and/or a tight labour market, the Group may be subject to a shortage of suitably qualified talent which may adversely affect the Group's customer service delivery. Any failure on the part of the Group to attract, retain, hire and train suitable employees could therefore have a material adverse effect on its business, results of operations and financial condition.

The Group may face rising labour costs

The Group's childcare and education business is labour-intensive and its ability to meet its labour requirements, whilst controlling wage and labour-related costs, may be subject to numerous external factors, including the availability of suitable persons in the relevant work force, government regulations, prevailing wage rates, demographics and health and insurance costs. The Group's growth plans may require it to hire, train and retain a significant number of new employees in the future. The Group also competes against other childcare and education centre operators for skilled personnel, and may have to increase wages and benefits to attract and retain qualified personnel or risk considerable employee turnover. If the Group is unable to hire, train and retain qualified employees at a reasonable cost or if there is any significant inflation of wages, it may be unable to execute its growth strategy and its financial performance may be adversely affected.

The Group's insurance coverage may not be sufficient

The Group maintains different insurance policies as deemed necessary and generally undertaken by other businesses in the industry operating childcare and education centres, but the Group may be exposed to financial losses to the extent that the Group suffers damage or loss exceeding the insurance coverage procured by it, or is not covered by the insurance policies that it has taken up. There can be no assurance that the level of insurance taken out by the Group is adequate, or that any claim made under the Group's insurance policies will be honoured fully or on time. Any payments which the Group has to make to cover any losses, damage or liabilities or any delays it experiences in receiving appropriate payments from its insurers could have an adverse effect on its business, financial condition and results of operations.

Risks relating to proprietary rights and intellectual property

The business of the Group depends in part on its ability to protect its proprietary rights and intellectual property. The Group relies on a combination of copyrights, trademarks, trade secrets, domain names and contractual agreements to protect its proprietary rights. The Group also relies on agreements under which it obtains rights to own, or license rights to use, intellectual property developed by content experts and other third parties. The Group cannot assure that these measures are adequate, that it has secured, or will be able to secure, appropriate permissions or protections for all of the intellectual property rights which the Group uses or claims rights to in Australia, Singapore or in other foreign jurisdictions, or that third parties will not terminate the Group's license rights or infringe upon or otherwise violate its intellectual property rights or the intellectual property rights of others. Despite the Group's efforts to protect these rights, unauthorised third parties may attempt to use, duplicate or copy the proprietary aspects of the Group's student recruitment and educational delivery methods and systems, curricula, online resource material or other content. The attention of the Group's management may be diverted by these attempts and it may need to use funds in litigation to protect the Group's proprietary rights against any infringement or violation, which could have a material adverse effect on its business, financial condition and financial performance.

The Group may be affected by adverse publicity

Building awareness of the Group's childcare centres, education centres and the programmes that the Group offers is critical to the Group's ability to attract prospective students. Any event which has a negative effective on the image of the Group or on the Group's brands may have an adverse effect on the Group's business. In addition, if the Group's childcare education centres are unable to successfully market and advertise their educational programmes, or if there is any adverse publicity relating to the Group's childcare centres and education centres (whether in Singapore or Australia), the Group's ability to attract and enrol children in such programmes could be adversely affected and this may, in turn, have a material adverse effect on the business or the financial position of the Group.

The Group is subject to foreign exchange risks

The Group's functional currency is Australian dollars. However, the Group has operations in Singapore and is thus exposed to foreign exchange risks associated with the Singapore dollar. Foreign exchange risk may arise from future commercial transactions and recognised assets and liabilities denominated in a currency that is not in Australian dollars. The foreign exchange risk is managed through a natural hedge as the cash flows from operations are denominated in Singapore dollars. No other hedging derivatives were put in place during the year to manage the foreign exchange risk.

Hence, the Group's business and financial performance are exposed to fluctuations in foreign exchange rates. There is no assurance that the Group will be able to maintain its profit margins in the event of any sustained unfavourable movement in foreign exchange rates. As such, significant unfavourable fluctuations in foreign exchange rates will adversely affect the Group's business, financial performance and financial position.

The Group's principal reporting currency is in Australian dollars which may also materially impact the results of the operations of the Group due to transaction gains or losses as at the balance sheet date.

The Group may be affected by litigation and disputes

The Issuer has been involved in court proceedings and disputes from time to time, the aggregate value of which cannot be readily or reliably quantified. Claims in the past have arisen out of the Group's acquisition activities, and include claims arising from businesses it has acquired from third parties. There can be no assurance that such claims will be settled, or settled on terms which are favourable to the Group.

The Group obtains appropriate legal advice in respect of all relevant claims. It assesses the financial impact of each claim as it may arise, and evaluates the extent to which any claim is legitimate and covered by insurance, with provisions being included in the Group's consolidated financial statements as is considered appropriate. However, due to uncertainties involved in the legal system, there is a risk that court proceedings or disputes may be more costly or time-consuming than envisaged and that such provisions may be inadequate. If so, these claims may have an adverse effect on the financial position of the Group.

There is no assurance that the Group will successfully implement its business strategies or manage its growth or operations efficiently

The Group believes its future growth and earnings largely depend on the successful implementation of its business strategies, which in turn depends on a number of external and factors specific to the Group. External factors include business, financial and other factors beyond the Group's control, such as:

- availability of manpower;
- domestic and international economic conditions (including but not limited to changes in the rate of inflation, interest rates and foreign currency exchange rates as well as changes in fiscal or monetary policy by governments or central banks); and
- government or other legal, regulatory or policy changes.

Factors specific to the Group, such as:

- the ability of the Group to obtain debt or equity financing on favourable terms; and
- the ability of the Group to identify and acquire suitable childcare centre brands,

may also affect the Group's ability to implement its business strategy.

In the event that the Group is unable to execute its business strategies or successfully establish its planned expansion, the Group's business, financial condition and results of operations could be adversely affected. In addition, as these plans may require substantial capital outlay, even if the Group successfully implements its business strategy, this may not translate into successful results of operations. Furthermore, the Group may decide to alter or discontinue aspects of its business strategy and may adopt alternative or additional strategies in response to its operating environment, competitive situation or factors or events beyond the Group's control. The Group cannot assure investors that it will be successful in implementing or continuing to implement any of its business strategies and operations which will in turn affect its ability to maximise the full potential of the Group's childcare and education centres.

The Group may be subject to risks relating to the tax systems in the countries in which the Group operates

As the Group operates in Australia and Singapore, it is subject to the tax systems in these countries. The Group's business, financial performance and financial position could be adversely affected by new forms or rates of taxation implemented by the respective tax authorities of the countries in which it operates. Changes in tax rules or interpretations may also have a significant impact on the Group's tax exposure.

In addition, the Group may have to pay different types of taxes as a result of its operations, and differing interpretations of tax laws and regulations exist both among and within the government ministries of certain countries, which can create uncertainty. While the Group may seek tax advice or opinions from time to time, there is no assurance that a tax position adopted by the Group (with or without supportive tax opinion) will not be successfully challenged by the relevant tax authorities. In the event that the relevant tax authority takes a different interpretation of tax laws and regulations than the Group, the Group may be required to incur additional taxes or a higher rate of taxes and this may adversely affect the business, financial performance and financial position of the Group.

The operations of the Group may be disrupted by industrial relations disputes

Industrial relations disputes and other labour-related problems may disrupt the Group's operations and adversely affect its business and results of operations. The Group cannot provide any assurance that it will not be affected by any such industrial unrest, or increase in labour cost, or interruptions to its existing operations or new operations which it may set up in the future.

The business and operations of the Group may be affected by factors outside of the Group's control

The business and operations of the Group may be adversely affected by macroeconomic factors outside its control, such as the following:

- unforeseeable circumstances, such as power outages, labour disputes, severe weather conditions and natural or other catastrophes may cause disruptions to the Group's operations as well as loss or damage to its facilities. Such events may cause a disruption or cessation in the operations of the Group and increase the expenditure of the Group in the replacement or repair of damaged property, and thus adversely affect its financial results; and

- catastrophic events such as hurricanes, typhoons, earthquakes, floods, severe weather, fires and explosions may also occur. The direct and indirect consequences of these catastrophes are unpredictable, and the Group may not be able to foresee events that could have an adverse effect on its business operations and results. Any occurrence of a catastrophic event could also materially and adversely affect international financial markets or the Australian or Singapore economies and could thereby adversely affect the Group's business, financial condition, results of operations or prospects.

The business and operations of the Group may be adversely affected by outbreak of communicable diseases

The outbreak or resurgence of communicable diseases and viruses, such as the influenza A (H1N1) virus and avian influenza, if uncontrolled, could have an adverse effect on the operations of the Group, which may in turn, have an adverse impact on the performance of the Group. In the event of an outbreak of communicable diseases or viruses at any of the Group's childcare or education centres, the relevant government authorities may require its management and employees to be quarantined and the Group may be required to wholly or partially suspend its operations until further notice. Moreover, childcare centres are more prone to communicable diseases like hand foot and mouth disease and chicken pox. This may in turn adversely affect the Group's business, operations and financial condition.

RISKS RELATING TO THE SECURITIES GENERALLY

Reliance on the Guarantee

The Securities are guaranteed pursuant to the Guarantee. If any or all of the Guarantors' financial conditions deteriorate, it is possible that the Guarantors, individually or collectively, may not have the financial resources or liquidity to pay the amounts required under the Guarantee in a situation where the Guarantee is enforced.

Potential investors should also be aware that the entities in the Group forming the Guarantors may change in accordance with the Trust Deed. In particular, the Guarantors may be released from its guarantee obligation under the Guarantee from time to time in accordance with the provisions of the Trust Deed, and this may limit/restrict the ability to enforce the Guarantee against these entities.

The Securities may not be a suitable investment for all investors

Each potential investor in the Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Securities, the merits and risks of investing in the Securities and the information contained or incorporated by reference in this Information Memorandum or any applicable supplement to this Information Memorandum;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Securities and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Securities, including Securities with principal, interest or distribution payable in one or more currencies, or where the currency for principal, interest or distribution payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Securities and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Some Securities are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured and appropriate addition of risk to their overall portfolios. A potential investor should not invest in Securities which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Securities will perform under changing conditions, the resulting effects on the value of the Securities and the impact this investment will have on the potential investor's overall investment portfolio. Investment activities may be subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Securities are legal investments for them, (2) Securities can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase of any Securities. Financial institutions should consult with their legal advisers or the appropriate regulators to determine the appropriate treatment of Securities under any applicable risk-based capital or similar rules.

Modification and waivers

The terms and conditions of the Securities contain provisions for calling meetings of Securityholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Securityholders including Securityholders who did not attend and vote at the relevant meeting and Securityholders who voted in a manner contrary to the majority.

The terms and conditions of the Securities also provide that the Trustee may agree, without the consent of the Securityholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or to comply with mandatory provisions of Singapore law or is required by Euroclear and/or Clearstream, Luxembourg and/or CDP and/or any other clearing system in which the Securities may be held, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed which is in the opinion of the Trustee not materially prejudicial to the interests of the Securityholders.

A change in Singapore law which governs the Securities may adversely affect Securityholders

The Securities are governed by Singapore law in effect as at the date of issue of the Securities. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Securities.

The Securities may be represented by Global Securities or Global Certificates and holders of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System (as defined below)

Securities issued under the Programme may be represented by one or more Global Securities or Global Certificates. Such Global Securities or Global Certificates will be deposited with or registered in the name of, or in the name of a nominee of, a common depositary for Euroclear and Clearstream, Luxembourg, or lodged with CDP (each of Euroclear, Clearstream, Luxembourg and CDP, a "**Clearing System**"). Except in the circumstances described in the relevant Global Security or Global Certificate, investors will not be entitled to receive Definitive Securities. The relevant Clearing System will maintain records of their accountholders in relation to the Global Securities and Global Certificates. While the Securities are represented by one or more Global Securities or Global Certificates, investors will be able to trade their beneficial interests only through the relevant Clearing System.

While the Securities are represented by one or more Global Securities or Global Certificates, the Issuer will discharge its payment obligations under the Securities by making payments to the common depositary for Euroclear and/or Clearstream, Luxembourg or, as the case may be, to CDP, for distribution to their accountholders or, as the case may be, to the Issuing and Paying Agent for distribution to the holders as appearing in the records of the relevant Clearing System. A holder of a beneficial interest in a Global Security or Global Certificate must rely on the procedures of the relevant Clearing System to receive payments under the relevant Securities. The Issuer and the Guarantors bear no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Securities or Global Certificates.

Holders of beneficial interests in the Global Securities and Global Certificates will not have a direct right to vote in respect of the relevant Securities. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant Clearing System to appoint appropriate proxies.

Lack of public market for the Securities

There can be no assurance as to the liquidity of the Securities or that an active trading market will develop. If such a market were to develop, the Securities may trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Issuer's and the Guarantors' operations and the market for similar securities. The Dealers are not obliged to make a market in the Securities and any such market making, if commenced, may be discontinued at any time at the sole discretion of the relevant Dealer(s). No assurance can be given as to the liquidity of, or trading market for, the Securities.

Fluctuation of market value of the Securities issued under the Programme

Trading prices of the Securities are influenced by numerous factors, including the operating results and/or financial condition of the Issuer, the Guarantors and/or their respective subsidiaries and/or associated companies (if any) and/or joint venture companies (if any), political, economic, financial and any other factors that can affect the capital markets, the industry, the Issuer, the Guarantors and/or their respective subsidiaries and/or associated companies (if any) and/or joint venture companies (if any) generally. Adverse economic developments in Singapore as well as countries in which the Issuer, the Guarantors and their respective subsidiaries and/or associated companies (if any) and/or joint venture companies (if any) operate or have business dealings, could have a material adverse effect on the business, financial performance and financial condition of the Issuer, the Guarantors and their respective subsidiaries, associated companies (if any) and joint venture companies (if any).

Interest rate risk

Securityholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in note and/or perpetual security prices, resulting in a capital loss for the Securityholders. However, the Securityholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, note and/or perpetual security prices may rise. The Securityholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Inflation risk

Securityholders may suffer erosion on the return of their investments due to inflation. Securityholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Securities. An unexpected increase in inflation could reduce the actual returns.

The market prices of Securities issued at a substantial discount or premium tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities.

The market values of securities issued at a substantial discount or premium to their nominal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Securities dominated in currencies other than Australian Dollars are subject to currency risks

The Group's financial currency is denominated in Australian dollars. As Securities issued under the Programme can be denominated in currencies other than Australian dollars, the Issuer may be affected by fluctuations between the Australian dollar and such other currencies in meeting its payment obligations under such Securities and there is no assurance that the Issuer may be able to fully hedge the currency risks associated with such Securities denominated in currencies other than Australian dollars.

Exchange rate risks and exchange controls may result in Securityholders receiving less interest or principal than expected

The Issuer will pay principal, interest and distribution on the Securities in the currency specified. This presents certain risks relating to currency conversions if Securityholder's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the currency in which the Securities are denominated. These include the risk that exchange rates may significantly change (including changes due to devaluation of the currency in which the Securities are denominated or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the currency in which the Securities are denominated would decrease (i) the Investor's Currency equivalent yield on the Securities, (ii) the Investor's Currency equivalent value of the principal payable on the Securities and (iii) the Investor's Currency equivalent market value of the Securities.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Securityholders may receive less distribution, interest or principal than expected, or no distribution, interest or principal.

The insolvency laws of Australia may differ from Singapore insolvency laws or those of another jurisdiction with which the Securityholder may be familiar

As the Issuer and some of the Guarantors are incorporated under the laws of Australia, an insolvency proceeding, even if brought in Singapore, would likely involve Australian insolvency laws, the procedural and substantive provisions of which may differ from comparable provisions of Singapore insolvency laws or those of another jurisdiction with which Securityholders may be familiar.

A change in the laws of Singapore may adversely affect Securityholders

The Securities are governed by Singapore law in effect as at the date of issue of such Securities. No assurance can be given as to the impact of any possible judicial decision or change to Singapore law or administrative practice after the date of issue of the Securities.

Credit ratings may not reflect all risks

One or more independent credit rating agencies may assign credit ratings to the Securities. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Securities. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Changes in market interest rates may adversely affect the value of fixed rate Securities

Investment in fixed rate Securities involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate Securities.

RISKS RELATING TO THE NOTES

Singapore tax risk

The Notes to be issued from time to time under the Programme during the period from the date of this Information Memorandum to 31 December 2018 are intended to be "qualifying debt securities" for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section on "*Taxation - Singapore*".

However, there is no assurance that such Notes will continue to enjoy the tax concessions in connection therewith should the relevant tax laws or MAS circulars be amended or revoked at any time.

Notes subject to optional redemption may have a lower market value than Notes that cannot be redeemed

An optional redemption feature is likely to limit the market value of the Notes. During any period when the Issuer elects to redeem the Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At that time, Noteholders generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Noteholders should consider reinvestment risk in light of other investments available at that time.

RISKS RELATING TO THE PERPETUAL SECURITIES

Perpetual Securities may be issued for which investors have no right to require redemption

The Perpetual Securities are perpetual and have no fixed final maturity date. Perpetual Securityholders have no right to require the Issuer to redeem Perpetual Securities at any time, and an investor who acquires Perpetual Securities may only dispose of such Perpetual Securities by sale. Perpetual Securityholders who wish to sell their Perpetual Securities may be unable to do so at a price at or above the amount they have paid for them, or at all. Therefore, holders of Perpetual Securities should be aware that they may be required to bear the financial risks of an investment in Perpetual Securities for an indefinite period of time.

If specified in the relevant Pricing Supplement, Perpetual Securityholders may not receive distribution payments if the Issuer elects to not to pay all or a part of a distribution under the terms and conditions of the Perpetual Securities

If Optional Payment is specified in the relevant Pricing Supplement, the Issuer may, at its sole discretion, elect not to pay any scheduled distribution on the Perpetual Securities in whole or in part for any period of time. The Issuer is subject to certain restrictions in relation to the declaration or payment of distributions on its Junior Obligations and (except on a pro-rata basis) its Parity Obligations and the redemption and repurchase of its Junior Obligations and (except on a pro-rata basis) its Parity Obligations in the event that it does not pay a distribution in whole or in part. The Issuer is not subject to any limit as to the number of times or the amount with respect to which the Issuer can elect not to pay distributions under the Perpetual Securities. While the Issuer may, at its sole discretion, and at any time, elect to pay an Optional Distribution, being an optional amount equal to the amount of distribution which is unpaid in whole or in part, there is no assurance that the Issuer will do so, and distributions which are not paid in whole or in part may remain unpaid for an indefinite period of time. Any non-payment of a distribution in whole or in part shall not constitute a default for any purpose. Any election by the Issuer not to pay a distribution, whether in whole or in part, will likely have an adverse effect on the market price of the Perpetual Securities. In addition, as a result of the potential non-cumulative distribution feature of the Perpetual Securities and the Issuer's ability to elect not to pay a distribution in whole or in part, the market price of the Perpetual Securities may be more volatile than the market prices of other debt securities on which original issue discount or interest accrues that are not subject to such election not to pay and may be more sensitive generally to adverse changes in the Group's financial condition.

If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the Issuer's option on the date(s) specified in the relevant Pricing Supplement or on the occurrence of certain other events

The Perpetual Securities are perpetual securities and have no fixed final redemption date. If specified in the relevant Pricing Supplement, the Perpetual Securities may be redeemed at the option of the Issuer on certain date(s) specified in the relevant Pricing Supplement at their principal amount (or such other redemption amount stated in the relevant Pricing Supplement) together with all outstanding Arrears of Distribution, Additional Distribution Amounts and distribution accrued to the date fixed for redemption. In addition, if specified on the relevant Pricing Supplement, the Issuer may, at its option, redeem the Perpetual Securities in whole, but not in part, on any Distribution Payment Date, or any time after such Distribution Payment Date, upon the occurrence of certain other events. Please refer to "*Terms and Conditions of the Perpetual Securities — Redemption and Purchase*".

The date on which the Issuer elects to redeem the Perpetual Securities may not accord with the preference of individual Perpetual Securityholders. This may be disadvantageous to Perpetual Securityholders in light of market conditions or the individual circumstances of the holder of Perpetual Securities. In addition, an investor may not be able to reinvest the redemption proceeds in comparable securities at an effective distribution rate at the same level as that of the Perpetual Securities.

There are limited remedies for default under the Perpetual Securities

Any scheduled distribution will not be due if the Issuer elects not to pay all or a part of that distribution pursuant to the terms and conditions of the Perpetual Securities. Notwithstanding any of the provisions relating to non-payment defaults, the right to institute winding-up proceedings is limited to circumstances where payment under the Perpetual Securities has become due and the Issuer fails to make the payment when due. The only remedy against the Issuer available to any Perpetual Securityholder for recovery of amounts in respect of the Perpetual Securities following the occurrence of a payment default after any sum becomes due in respect of the Perpetual Securities will be proving in such winding-up and/or claiming in the liquidation of the Issuer in respect of any payment obligations of the Issuer arising from the Perpetual Securities.

The Issuer may raise or redeem other capital which affects the price of the Perpetual Securities

The Issuer may raise additional capital through the issue of other securities or other means. There is no restriction, contractual or otherwise, on the amount of securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Perpetual Securities. Similarly, subject to compliance with the terms and conditions of the Perpetual Securities, the Issuer may redeem securities that rank junior to, *pari passu* with, or senior to the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities may reduce the amount (if any) recoverable by holders of Perpetual Securities on a winding-up of the Issuer, and may increase the likelihood of a deferral of distribution under the Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities or the redemption of any such securities might also have an adverse impact on the trading price of the Perpetual Securities and/or the ability of holders of Perpetual Securities to sell their Perpetual Securities.

The Subordinated Perpetual Securities are subordinated obligations

The obligations of the Issuer under the Subordinated Perpetual Securities will constitute unsecured and subordinated obligations of the Issuer. In the event of the winding-up of the Issuer, the rights of the holders of Subordinated Perpetual Securities to receive payments in respect of the Subordinated Perpetual Securities will rank senior to the holders of all Junior Obligations and *pari passu* with the holders of all Parity Obligations, but junior to the claims of all other creditors, including, for the avoidance of doubt, the holders of Senior Perpetual Securities and/or Notes. In the event of a shortfall of funds or a winding-up, there is a real risk that an investor in the Subordinated Perpetual Securities will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid Arrears of Distribution, Additional Distribution Amounts or accrued distribution.

In addition, subject to the limit on the aggregate principal amount of Securities that can be issued under the Programme (which can be amended from time to time by the Issuer without the consent of the Securityholders), there is no restriction on the amount of unsubordinated securities or other liabilities which the Issuer may issue or incur and which rank senior to, or *pari passu* with, the Subordinated Perpetual Securities. The issue of any such securities or the incurrence of any such other liabilities may reduce the amount (if any) recoverable by holders of Subordinated Perpetual Securities on a winding-up of any Issuer and/or may increase the likelihood of a non-payment of distribution under the Subordinated Perpetual Securities.

Tax treatment of the Perpetual Securities is unclear

It is not clear whether any particular tranche of the Perpetual Securities (the "**Relevant Tranche of the Perpetual Securities**") will be regarded as debt securities by the Inland Revenue Authority of Singapore ("**IRAS**") for the purposes of the ITA, or whether distributions made under each tranche of the Perpetual Securities will be regarded by the IRAS as interest payable on indebtedness, and whether the tax concessions available for qualifying debt securities under the Qualifying Debt Securities Scheme (as set out in the section "*Taxation - Singapore*") would apply to the Relevant Tranche of the Perpetual Securities.

If the Relevant Tranche of the Perpetual Securities is not regarded as debt securities for the purposes of the ITA or the distributions made under the Relevant Tranche of the Perpetual Securities are not regarded as interest payable on indebtedness and holders thereof are not eligible for the tax concessions under the Qualifying Debt Securities Scheme, the tax treatment to holders may differ. Investors and holders of the Relevant Tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of the Relevant Tranche of the Perpetual Securities.

PURPOSE OF THE PROGRAMME AND USE OF PROCEEDS

The net proceeds arising from the issue of Securities under the Programme (after deducting issue expenses) will be used for the purpose of financing general corporate purposes of the Group, including to finance potential acquisitions, strategic expansions, general working capital, capital expenditure and investments of the Group and to refinance existing borrowings of the Group or as otherwise specified in the Pricing Supplement.

CLEARING AND SETTLEMENT

Clearance and Settlement under the Depository System

In respect of Securities which are accepted for clearance by CDP in Singapore, clearance will be effected through an electronic book-entry clearance and settlement system for the trading of debt securities ("**Depository System**") maintained by CDP. Securities that are to be listed on the SGX-ST may be cleared through CDP.

CDP, a wholly-owned subsidiary of Singapore Exchange Limited, is incorporated under the laws of Singapore and acts as a depository and clearing organisation. CDP holds securities for its accountholders and facilitates the clearance and settlement of securities transactions between accountholders through electronic book-entry changes in the securities accounts maintained by such accountholders with CDP.

In respect of Securities which are accepted for clearance by CDP, the entire issue of the Securities is to be held by CDP in the form of a Global Security or a Global Certificate for persons holding the Securities in securities accounts with CDP ("**Depositors**"). Delivery and transfer of Securities between Depositors is by electronic book-entries in the records of CDP only, as reflected in the securities accounts of Depositors. Although CDP encourages settlement on the third business day following the trade date of debt securities, market participants may mutually agree on a different settlement period if necessary.

Settlement of over-the-counter trades in the Securities through the Depository System may only be effected through certain corporate depositors ("**Depository Agents**") approved by CDP under the Companies Act to maintain securities sub-accounts and to hold the Securities in such securities sub-accounts for themselves and their clients. Accordingly, Securities for which trade settlement is to be effected through the Depository System must be held in securities sub-accounts with Depository Agents. Depositors holding the Securities in direct securities accounts with CDP, and who wish to trade Securities through the Depository System, must transfer the Securities to be traded from such direct securities accounts to a securities sub-account with a Depository Agent for trade settlement.

CDP is not involved in money settlement between Depository Agents (or any other persons) as CDP is not a counterparty in the settlement of trades of debt securities. However, CDP will make payment of interest and repayment of principal on behalf of issuers of debt securities.

Although CDP has established procedures to facilitate transfer of interests in the Securities in global form among Depositors, it is under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Guarantors, the Issuing and Paying Agent or any other agent will have the responsibility for the performance by CDP of its obligations under the rules and procedures governing its operations.

Clearance and Settlement under Euroclear and/or Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in the accounts of such participants, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfer. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. The respective systems of Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective participants to settle trades with one another. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear or Clearstream, Luxembourg is also available to other financial institutions, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

A participant's overall contractual relations with either Euroclear or Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective participants, and have no record of, or relationship with, persons holding any interests through their respective participants. Distributions of principal with respect to book-entry interests in the Securities held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the relevant Paying Agent, to the cash accounts of the relevant Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

TAXATION

Singapore

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the IRAS and MAS in force as at the date of this Information Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Information Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Securities or of any person acquiring, selling or otherwise dealing with the Securities or on any tax implications arising from the acquisition, sale or other dealings in respect of the Securities. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Securities and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Holders or prospective holders of the Securities are advised to consult their own tax advisers as to the Singapore or other tax consequences of the purchase, ownership or disposal of the Securities, including, in particular, the effect of any foreign, state or local laws to which they are subject. It is emphasised that none of the Issuer, the Guarantors, the Arranger, and any other persons involved in the Programme accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Securities.

In addition, the disclosure below is on the assumption that the IRAS regards each tranche of the Perpetual Securities as "debt securities" for the purposes of the ITA and that distribution payments made under each tranche of the Perpetual Securities will be regarded as interest payable on indebtedness and holders thereof may therefore enjoy the tax concessions and exemptions available for qualifying debt securities, provided that the other conditions for the Qualifying Debt Securities Scheme are satisfied. If any tranche of the Perpetual Securities is not regarded as "debt securities" for the purposes of the ITA and holders thereof are not eligible for the tax concessions under the Qualifying Debt Securities Scheme, the tax treatment to holders may differ. Investors and holders of any tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding and disposal of any tranche of the Perpetual Securities.

1. Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15.0 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17.0 per cent. The applicable rate for non-resident individuals is currently 20.0 per cent.

However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15.0 per cent. The rate of 15.0 per cent. may be reduced by applicable tax treaties.

With effect from 29 December 2009, the said deeming provisions of Section 12(6) of the ITA shall not apply to any payment for –

(a) any arrangement, management or service relating to any loan or indebtedness, where such arrangement, management or service is performed outside Singapore for or on behalf of a person resident in Singapore or a permanent establishment in Singapore by a non-resident person who—

  (i) in the event the non-resident person is not an individual, is not incorporated, formed or registered in Singapore; and

  (ii) in any event –

    (A) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

    (B) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but the arrangement, management or service is not performed through that business carried on in Singapore or that permanent establishment; and.

(b) any guarantee relating to any loan or indebtedness, where the guarantee is provided for or on behalf of a person resident in Singapore or a permanent establishment in Singapore by a guarantor who is a non-resident person who—

  (i) in the event the non-resident person is not an individual, is not incorporated, formed or registered in Singapore; and

  (ii) in any event –

    (A) does not by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or

    (B) carries on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, but the giving of the guarantee is not effectively connected with that business carried on in Singapore or that permanent establishment;

However, certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

(a) interest from debt securities derived on or after 1 January 2004;

(b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after 17 February 2006; and

(c) prepayment fee, redemption premium and break cost from debt securities derived on or after 15 February 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

The terms “prepayment fee”, “redemption premium” and “break cost” are defined in the ITA as follows:

"prepayment fee", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities;

"redemption premium", in relation to debt securities and qualifying debt securities, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity; and

"break cost", in relation to debt securities and qualifying debt securities, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption.

References to "prepayment fee", "redemption premium" and "break cost" in this Singapore tax disclosure have the same meaning as defined in the ITA.

In addition, as the Programme as a whole is arranged by DBS Bank Ltd., which is a Financial Sector Incentive (Standard Tier) Company (as defined in the ITA), any tranche of the Securities ("**Relevant Securities**") issued as debt securities under the Programme during the period from the date of this Information Memorandum to 31 December 2018 would be qualifying debt securities ("**QDS**") for the purposes of the ITA, to which the following treatment shall apply:

(i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller of Income Tax in Singapore (the "**Comptroller**") may direct, of a return on debt securities for the Relevant Securities in the prescribed format within such period as the Comptroller may specify to the MAS and such other particulars in connection with the Relevant Securities as the Comptroller may require and the inclusion by the Issuer in all offering documents relating to the Relevant Securities of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Relevant Securities is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Relevant Securities using funds from that person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (collectively, the "**Specified Income**") from the Relevant Securities derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Relevant Securities are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(ii) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the Comptroller may direct, of a return on debt securities for the Relevant Securities in the prescribed format within such period as the Comptroller may specify and such other particulars in connection with the Relevant Securities as the Comptroller may require to the MAS), Specified Income from the Relevant Securities derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10.0 per cent.; and

(iii) Subject to:

(aa) the Issuer including in all offering documents relating to the Relevant Securities a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from the Relevant Securities is not exempt from tax shall include such income in a return of income made under the ITA; and (ab) the Issuer, or such other person as the Comptroller may direct, furnishing the MAS a return on debt securities for the Relevant Securities in the prescribed format within such period as the Comptroller may specify and such other particulars in connection with the Relevant Securities as the Comptroller may require,

Specified Income derived from the Relevant Securities are not subject to withholding of tax by the Issuer.

However, notwithstanding the foregoing:

(A) if during the primary launch of any tranche of Relevant Securities, the Relevant Securities of such tranche are issued to fewer than four persons and 50.0 per cent. or more of the issue of such Relevant Securities is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Relevant Securities would not qualify as QDS; and

(B) even though a particular tranche of Relevant Securities are QDS, if, at any time during the tenure of such tranche of Relevant Securities, 50.0 per cent. or more of the issue of such Relevant Securities is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income derived from such Relevant Securities held by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Securities are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

The term "related party", in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

Notwithstanding that the Issuer is permitted to make payments of interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) in respect of the Relevant Securities without deduction or withholding for tax under Section 45 or Section 45A of the ITA, any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Specified Income) derived from the Relevant Securities is not exempt from tax is required to include such income in a return of income made under the ITA.

Under the Qualifying Debt Securities Plus Scheme ("**QDS Plus Scheme**"), subject to certain conditions having been fulfilled (including the furnishing by the Issuer or such other person as the Comptroller may direct, of a return on debt securities in respect of the QDS in the prescribed format within such period as the Comptroller may specify to the MAS, and such other particulars in connection with the QDS as the Comptroller may require), income tax exemption is granted on Specified Income derived by any investor from QDS (excluding Singapore Government Securities) which:

(a) are issued during the period from 16 February 2008 to 31 December 2018;

(b) have an original maturity of not less than 10 years;

(c) either –

(i) if they are issued before 28 June 2013, cannot be redeemed, called, exchanged or converted within 10 years from the date of their issue; or

(ii) if they are issued on or after 28 June 2013, cannot have their tenure shortened to less than 10 years from the date of their issue, except under such circumstances as may be prescribed by regulations; and

(d) cannot be re-opened with a resulting tenure of less than 10 years to the original maturity date.

In addition, the tax exemption on Specified Income from QDS under the QDS Plus Scheme will not apply to any Specified Income derived from QDS issued on or after 28 June 2013 that is derived on or after the date on which the tenure of any portion of those QDS is shortened to less than 10 years from the date of their issue, where the shortening of the tenure occurs under such circumstances as may be prescribed by regulations.

The MAS has also released MAS Circular FSD Cir 02/2013 entitled "Extension and Refinement of Tax Concessions for Promoting the Debt Market" dated 28 June 2013, providing details in respect of the refinement of the QDS Plus Scheme to allow debt securities with certain standard early termination clauses to qualify for the QDS Plus Scheme at the point of issuance. Examples of standard early termination clauses include clauses which provide for early termination due to a taxation event, default event, change of control event, change of shareholding event or change in listing status of an issuer. Subsequently, should the debt securities be redeemed prematurely due to standard early termination clauses (i.e. before the 10th year), the income tax exemption granted to income exempt under the QDS Plus Scheme prior to redemption will not be clawed back. Instead, the QDS Plus status of the debt securities will be revoked prospectively for outstanding debt securities, if any. The outstanding debt securities may still enjoy tax benefits under the "qualifying debt securities" scheme if the other conditions for "qualifying debt securities" continue to be met. Debt securities with embedded options with economic value (such as call, put, conversion or exchange options which can be triggered at specified prices or dates and are built into the bond's pricing at the onset) which can be exercised within 10 years from the date of issuance will continue to be excluded from the QDS Plus Scheme from the onset. This refinement of the QDS Plus Scheme will take effect for debt securities that are issued on or after 28 June 2013.

However, even if a particular tranche of the Relevant Securities are QDS which qualify under the QDS Plus Scheme, if, at any time during the tenure of such tranche of Relevant Securities, 50.0 per cent. or more of the issue of such Relevant Securities is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Specified Income from such Relevant Securities derived by:

(i) any related party of the Issuer; or

(ii) any other person where the funds used by such person to acquire such Relevant Securities are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption under the QDS Plus Scheme as described above.

2. Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Securities will not be taxable in Singapore. However, any gains derived by any person from the sale of the Securities which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Securities who apply or who are required to apply the Financial Reporting Standard 39 – Financial Instruments: Recognition and Measurement ("**FRS 39**"), may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Securities, irrespective of disposal, in accordance with FRS 39. Please see the section below on "Adoption of FRS 39 Treatment for Singapore Income Tax Purposes".

3. Adoption of FRS 39 Treatment for Singapore Income Tax Purposes

The IRAS has issued a circular entitled "Income Tax Implications Arising from the Adoption of FRS 39 - Financial Instruments: Recognition & Measurement" (the "**FRS 39 Circular**"). The ITA has since been amended to give effect to the FRS 39 Circular.

The FRS 39 Circular generally applies, subject to certain "opt-out" provisions, to taxpayers who are required to comply with FRS 39 for financial reporting purposes.

Holders of the Securities who may be subject to the tax treatment under the FRS 39 Circular should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Securities.

4. Estate Duty

Singapore estate duty has been abolished with respect to all deaths occurring on or after 15 February 2008.

Australia

The disclosure below does not discuss the tax treatment of Perpetual Securities. Investors and holders of any tranche of the Perpetual Securities should consult their own accounting and tax advisers regarding the Australian income tax consequences of their acquisition, holding and disposal of any tranche of the Perpetual Securities.

*The following is a summary of the taxation treatment under the Income Tax Assessment Act 1936 of Australia and, where applicable, the Income Tax Assessment Act 1997 of Australia ("**Tax Act**"), at the date of this Information Memorandum, of payments of interest (as defined in the Tax Act) on the Notes and certain other matters. It is not exhaustive and, in particular, does not deal with the position of certain classes of holders of the Notes (including dealers in securities, custodians or other third parties who hold the Notes on behalf of any absolute beneficial holders of the Notes).*

The following is a general guide only and should be treated with appropriate caution. Prospective holders of the Notes should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.

Interest withholding tax

Generally, interest paid in respect of the Notes to either a non-resident or an Australian resident who derives the interest in carrying on business at or through a permanent establishment outside Australia is subject to Australian interest withholding tax ("**IWT**") at the rate of 10% under Division 11A of Part III of the Tax Act, unless an exemption is available either under section 128F of the Tax Act or under a tax treaty.

An exemption from IWT is available in respect of the Notes under section 128F of the Tax Act if all o f the following conditions are satisfied:

1. the Issuer is a resident of Australia when it issues the Notes;

2. the Issuer is a resident of Australia when interest (as defined in section 128A(1AB) of the Tax Act) is paid. Interest is defined to include amounts in the nature of, or in substitution for, interest and certain other amounts;

3. the Notes are issued in a manner which satisfies the 'public offer test' as outlined in section 128F of the Tax Act. The 'public offer test' should be satisfied where the Notes are offered for issue:

   (a) to 10 or more persons who are carrying on the business of providing finance, or investing or dealing in securities, in the course of operating in financial markets who are not associates of each other for the purposes of section 128F(9) of the Tax Act; or

   (b) to at least 100 investors who have acquired debentures in the past or are likely to be interested in acquiring debentures; or

   (c) as a result of being accepted for listing on a stock exchange, where the Issuer had previously entered into an agreement with a dealer, manager or underwriter, in relation to the placement of the Notes, requiring the Issuer to seek such listing; or

(d) publicly in electronic form, or in another form, that was used by financial markets for dealing in debentures or debt interests; or

(e) to a dealer, manager or underwriter who under an agreement with the Issuer offers to sell the Notes within 30 days by one of the preceding methods;

4. at the time of the issue of the Notes, the Issuer does not know, or have reasonable grounds to suspect, that the Notes or interests in the Notes were being, or would later be, acquired, directly or indirectly, by an 'associate' of the Issuer who is an 'Offshore Associate'; and

5. at the time of the payment of interest, the Issuer does not know, or have reasonable grounds to suspect, that the payee is an 'associate' of the Issuer who is an 'Offshore Associate'.

'Offshore Associate' means an entity or person who:

- is either a non-resident associate of the Issuer who does not acquire the Notes, or an interest in the Notes, in the course of carrying on business at or through a permanent establishment in Australia, or an Australian resident associate of the Issuer who acquires the Notes, or an interest in the Notes, in the course of carrying on business at or through a permanent establishment outside Australia; and

- is not acting in the capacity of:

  - in the case of the issue of the Notes referred to in paragraph 4 above – a dealer, manager or underwriter in relation to the placement of the Notes, a clearing house, custodian, funds manager or responsible entity of a registered scheme; or

  - in the case of the payment of interest referred to in paragraph 5 above – a clearing house, paying agent, custodian, funds manager or responsible entity of a registered scheme.

Associates

An 'associate' of the Issuer for the purposes of section 128F of the Tax Act refers to entities such as natural persons, companies, trustees and partnerships that by reason of a family or business connection are regarded as associates of a particular entity.

The associate test operates to determine whether an entity is an associate of the Issuer. The associate test also operates to determine whether the potential Holders are themselves associated with each other.

Where the Issuer or Holder is a company, associates of the Issuer/Holder will broadly include:

- an entity who (together with its associates) holds a majority voting interest in the Issuer/Holder;

- an entity who (together with its associates) 'sufficiently influences' the Issuer/Holder;

- an entity who is controlled by the Issuer/Holder (and its associates) through a majority voting interest; or

- an entity that is 'sufficiently influenced' by the Issuer/Holder (and its associates).

Subsection 318(6) of the Tax Act provides that:

> *'a company is sufficiently influenced by an entity or entities if the company, or its directors, are accustomed or under an obligation (whether formal or informal), or might reasonably be expected, to act in accordance with the directions, instructions or wishes of the entity or entities (whether those directions, instructions or wishes are, or might reasonably be expected to be, communicated directly or through interposed companies, partnerships or trusts)'.*

Where the Issuer/Holder is capable of benefiting (whether directly or indirectly) under a trust, associates of the Issuer/Holder will include the trustee of such trusts.

Where the Issuer/Holder is a person or entity who is an ‘associate’ of another person or company which is an ‘associate’ of the Issuer under any of the foregoing, then they will be associates for the purposes of section 128F(9) of the Tax Act.

Compliance with section 128F of the Tax Act

The Notes will be issued in a manner that satisfies the requirements of the exemption from IWT as outlined above.

On that basis, no deduction or withholding in respect of Australian IWT should be required to be made from any payment of principal or interest made by the Issuer in respect of the Notes to Holders who acquire Notes in connection with this offer.

Exemptions under recent tax treaties

Australia has signed new or amended tax treaties (“**New Treaties**”) with a number of countries (“**Specified Countries**”), including the United States of America and the United Kingdom. The New Treaties apply to interest derived by a resident of a Specified Country. The New Treaties effectively provide an exemption from IWT for interest derived by:

- governments of the Specified Countries and certain governmental authorities and agencies of a Specified Country; and

- a ‘financial institution’ which is a resident of the Specified Country and which is unrelated to and dealing wholly independently with the Issuer. The term ‘financial institution’ refers to either a bank or any other form of enterprise which substantially derives its profits by carrying on a business of raising and providing finance. (However, interest under a back-to-back loan or an economically equivalent arrangement will not qualify for this exemption.)

The Australian Federal Treasury maintains a list of Australia’s double tax conventions which provides details of country, status, withholding tax rate limits and Australian domestic implementation. This list is available to the public at the Federal Treasury’s Department’s website at: http://www.treasury.gov.au/Policy-Topics/Taxation/Tax-Treaties/HTML

Payments under the Guarantee

Australian income tax law does not specifically address whether or not any payment by the Australian resident Guarantors under the Guarantee of amounts in respect of interest on the Notes would be subject to IWT. The Australian Taxation Office has released a Taxation Determination concluding that payments by an Australian resident guarantor in respect of interest on debentures (such as the Notes) should be regarded as interest subject to IWT but that such payments should be entitled to the benefit of the exemption contained in section 128F of the Tax Act if payments of interest in respect of those debentures by the issuer are exempt from IWT under section 128F of the Tax Act.

Payment of additional amounts

If an amount of Australian withholding tax is required to be deducted or withheld by the Issuer (or an Australian resident Guarantor) from payments of interest in relation to the Notes, then the Issuer or Guarantors (as the case may be) must, subject to certain exceptions set out in the Terms and Conditions of the Notes, pay an additional amount that would result in the holders of the Notes receiving an amount equal to that which they would have received had no such deduction or withholding been made.

Deemed interest

There are specific rules that can apply to treat a portion of the purchase price of Notes as interest for withholding tax purposes when certain Notes originally issued at a discount or with a maturity premium or which do not pay interest at least annually are sold to an Australian resident (who does not acquire them in the course of carrying on business at or through a permanent establishment outside Australia) or a non-resident who acquires them in the course of carrying on business at or through a permanent establishment in Australia. These rules do not apply in circumstances where the deemed interest would have been exempt under section 128F of the Tax Act if the Notes had been held to maturity by a non-resident.

Income tax matters

Offshore Holders of the Notes

Assuming that the requirements of section 128F of the Tax Act are satisfied with respect to the Notes, payments of principal and interest (as defined in section 128A(1AB) of the Tax Act) to a Holder who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income taxes.

A Holder who is a non-resident of Australia and who, during the taxable year, does not hold the Notes in the course of carrying on business at or through a permanent establishment in Australia, will not be subject to Australian income tax on gains realised during that year on sale or redemption of the Notes, provided that such gains do not have an Australian source. A gain arising on the sale of the Notes by a non-Australian resident Holder to another non-Australian resident where the Notes are sold outside Australia and all negotiations are conducted, and documentation executed, outside Australia would not generally be regarded as having an Australian source.

Australian Holders of the Notes

Australian residents or non-Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment in Australia ("**Australian Holders**"), will be assessable for Australian tax purposes on income either received or accrued due to them in respect of the Notes. Whether income will be recognised on a cash receipts or accruals basis will depend upon the tax status of the particular Holder, the terms and conditions of the Notes, and whether the Taxation of Financial Arrangements ("**TOFA**") regime applies to the Holder (see below).

Australian Holders will generally be required to include any gain, and may be entitled to deduct any loss, incurred on disposal of the Notes in calculating their taxable income. The precise rules which give effect to the recognition and timing of such gains and losses will vary depending on the status of the Holder and whether the TOFA rules apply to the Holder.

Special rules apply to the taxation of Australian residents who hold the Notes in the course of carrying on business at or through a permanent establishment outside Australia which vary depending on the country in which that permanent establishment is located.

Taxation of foreign exchange gains and losses

Divisions 230, 775 and 960 of the Tax Act contain rules to deal with the taxation consequences of foreign exchange transactions. The rules are complex and may apply to any Holders of the Notes who are Australian residents or non-residents that hold the Notes in the course of carrying on business in Australia. Any such Holder should consult their professional advisers for advice as to how to tax account for any foreign exchange gains or losses arising from their holding of the Notes.

Taxation of financial arrangements

Division 230 of the Tax Act (the TOFA regime) contains tax-timing rules for certain taxpayers to bring to account gains and losses from ''financial arrangements". Where it applies, the TOFA regime may impact upon the tax character and tax timing of gains and losses arising from those financial arrangements.

The rules do not apply to certain taxpayers or in respect of certain short term ''financial arrangements". They should not, for example, generally apply to holders of Notes who are individuals and certain other entities (for example, certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their ''financial arrangements". Potential holders of Notes should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

The rules in Division 230 do not alter the rules relating to the imposition of IWT. In particular, the rules do not override the IWT exemption available under section 128F of the Tax Act.

Debt/equity rules

Division 974 of the Tax Act contains tests for characterising debt (for all entities) and equity (for companies) for Australian tax purposes, including for the purposes of dividend withholding tax and IWT. The Notes should be characterised as 'debt interests' for the purposes of the tests contained in Division 974, and the returns paid on the Notes are to be 'interest' for the purpose of section 128F of the Tax Act. Accordingly, Division 974 is unlikely to affect the Australian tax treatment of holders of the Notes.

Other tax matters

Under Australian laws as presently in effect:

- *death duties* — no Notes will be subject to death, estate or succession duties imposed by Australia, or by any political subdivision or authority therein having power to tax, if held at the time of death;

- *stamp duty and other taxes* — no *ad valorem* stamp, issue, registration or similar taxes are payable in Australia on the issue or transfer of any Notes subject to the Note issued being 'debt interests' as described above;

- *other withholding taxes on payments in respect of Notes* — section 12-140 of the Taxation Administration Act 1953 of Australia (the "**Taxation Administration Act**") imposes a type of withholding tax at the rate of (currently) 46.5% on the payment of interest on certain registered securities unless the relevant payee has quoted an Australian tax file number ("**TFN**") (in certain circumstances), an Australian Business Number ("**ABN**") or proof of some other exception (as appropriate). Assuming the requirements of section 128F of the Tax Act are satisfied with respect to the Notes, then the requirements of section 12-140 do not apply to payments to a Holder in registered form who is not a resident of Australia and who does not hold those Notes in the course of carrying on business at or through a permanent establishment in Australia. Payments to other classes of holders of the Notes in registered form may be subject to a withholding where the Holder does not quote a TFN, ABN or provide proof of an appropriate exemption (as appropriate);

- *supply withholding tax* — payments in respect of the Notes can be made free and clear of the 'supply withholding tax' imposed under section 12-190 of the Taxation Administration Act;

- *goods and services tax (GST*) — neither the issue nor receipt of the Notes will give rise to a liability for GST in Australia, on the basis that the supply of the Notes will comprise either an input taxed financial supply or (in the case of an offshore subscriber) a GST-free supply. Furthermore, neither the payment of principal or interest by the Issuer, nor the disposal of Notes, would give rise to any GST liability in Australia; and

- *additional withholdings from certain payments to non-residents* — section 12-315 of the Taxation Administration Act gives the Governor-General power to make regulations requiring withholding from certain payments to non-residents. However, section 12-315 expressly provides that the regulations will not apply to interest and other payments which are already subject to the current interest withholding tax rules or specifically exempt from those rules. Further, regulations may only be made if the responsible minister is satisfied that the specified payments are of a kind that could reasonably relate to assessable income of foreign residents. The regulations promulgated prior to the date of this Information Memorandum are not relevant to any payments in respect of the Notes. Any further regulations should also not apply to repayments of principal under the Notes, as in the absence of any issue discount, such amounts will generally not be reasonably related to assessable income. The possible application of any future regulations to the proceeds of any sale of the Notes will need to be monitored.

SUBSCRIPTION, PURCHASE AND DISTRIBUTION

The Programme Agreement provides for Securities to be offered from time to time through one or more Dealers. The price at which a Series or Tranche will be issued will be determined prior to its issue between the Issuer and the relevant Dealer(s). The obligations of the Dealers under the Programme Agreement will be subject to certain conditions set out in the Programme Agreement. Each Dealer (acting as principal) will subscribe or procure subscribers for Securities from the Issuer pursuant to the Programme Agreement.

United States

The Securities have not been and will not be registered under the Securities Act, and the Securities may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

Bearer Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986, as amended, and regulations thereunder.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree that, except as permitted by the Programme Agreement, it will not offer, sell or deliver the Securities, (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of an identifiable tranche of which such Securities are a part, as determined and certified to the Issuing and Paying Agent by such Dealer (or, in the case of an identifiable tranche of Securities sold to or through more than one Dealer, by each of such Dealers with respect to Securities of an identifiable tranche purchased by or through it, in which case the Issuing and Paying Agent shall notify such Dealer when all such Dealers have so certified), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Securities, an offer or sale of Securities within the United States by any dealer (whether or not participating in the offering of such Securities) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration requirements under the Securities Act.

Hong Kong

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent, warrant and agree, that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Securities, except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Australia

No prospectus or other disclosure document (as defined in the Corporations Act of Australia) in relation to the Securities has been, or will be, lodged with the Australian Securities and Investments Commission ("**ASIC**"). Each Dealer represents and agrees that it:

(a) has not made or invited, and will not make or invite, an offer of the Securities for issue or sale in Australia (including an offer or invitation which is received by a person in Australia); and

(b) has not distributed or published, and will not distribute or publish, any offering circular or any other offering material or advertisement relating to the Securities in Australia,

unless:

(i) the aggregate consideration payable by each offeree or invitee is at least A$500,000 (or its equivalent in other currencies, in either case, disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not require disclosure to investors in accordance with Parts 6D.2 or 7.9 of the Corporations Act of Australia;

(ii) such action complies with all applicable laws, regulations and directives (including, without limitation, the licensing requirements set out in Chapter 7 of the Corporations Act of Australia);

(iii) such action does not require any document to be lodged with ASIC; and

(iv) the offer or invitation is not made the offer or invitation is not made to a person who is a 'retail client' within the meaning of section 761G of the Corporations Act of Australia.

Singapore

Each Dealer has acknowledged that this Information Memorandum has not been registered as a prospectus with MAS. Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Securities or caused the Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Securities or cause the Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Information Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

General

Each Dealer understands that no action has been taken in any jurisdiction that would permit a public offering of any of the Securities, or possession or distribution of this Information Memorandum or any other document or any Pricing Supplement, in any country or jurisdiction (other than Singapore) where action for that purpose is required.

Each Dealer has agreed that it will comply with all applicable securities laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers Securities or any interest therein or rights in respect thereof or has in its possession or distributes this Information Memorandum, any Pricing Supplement and any other document in connection with the offer or sale, or invitation for subscription or purchase, of the Securities.

Any person who may be in doubt as to the restrictions set out in the SFA or the laws, regulations and directives in each jurisdiction in which it subscribes for, purchases, offers, sells or delivers the Securities or any interest therein or rights in respect thereof and the consequences arising from a contravention thereof should consult his own professional advisers and should make his own inquiries as to the laws, regulations and directives in force or applicable in any particular jurisdiction at any relevant time.

GENERAL AND OTHER INFORMATION

INFORMATION ON DIRECTORS

1. The Board of Directors of the Issuer is set out on pages 103 to 104 of this Information Memorandum.

2. No Director or any director of the Initial Guarantors is or was involved in any of the following events:

   (a) a petition under any bankruptcy laws filed in any jurisdiction against such person or any partnership in which he was a partner or any corporation of which he was a director or an executive officer;

   (b) a conviction of any offence, other than a traffic offence, or judgment, including findings in relation to fraud, misrepresentation or dishonesty, given against him in any civil proceedings in Singapore or elsewhere, or being a named subject to any pending proceedings which may lead to such a conviction or judgment, or so far as such person is aware, any criminal investigation pending against him; or

   (c) the subject of any order, judgment or ruling of any court of competent jurisdiction, tribunal or government body, permanently or temporarily enjoining him from acting as an investment adviser, dealer in securities, director or employee of a financial institution and engaging in any type of business practice or activity.

3. (a) The Directors are not related by blood or marriage to one another nor are they related to any substantial shareholder of the Issuer.

   (b) The directors of the Initial Guarantors are not related by blood or marriage to one another nor are they related to any substantial shareholder of such Initial Guarantor.

4. The interests of the Directors and the substantial shareholders of the Issuer in the Shares as at the Latest Practicable Date are as follows:

   DIRECTORS' SHAREHOLDINGS

   Directors' shareholdings of each Director of the Issuer (as recorded in the Register of Directors' Shareholdings) as at the Latest Practicable Date:

	Shareholdings as at the Latest Practicable Date[1]			
	Direct Interest		Deemed Interest	
Directors	**No. of Shares**	**%**	**No. of Shares**	**%**
Jennifer Hutson	1,650,000	0.52%	1,650,000	0.52%
Christopher Scott	2,000,000	0.63%	10,341,376[2]	3.27%
Brian Bailison	0	0	0	0
Andrew Kemp	103,043	0.03%	103,043	0.03%
Susan Forrester	0	0	0	0

Notes:

(1) Total number of Shares issued (excluding treasury shares) as at the Latest Practicable Date is 316,484,749.

(2) Mr Chris Scott, spouse of Madam Juwarseh Scott, is deemed to be interested in Madam Scott's direct interest of 8,341,376 shares, being 2.55 per cent.

NOTES:

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders of the Issuer (as recorded in the Register of Substantial Shareholders) as at the Latest Practicable Date:

	Shareholdings as at the Latest Practicable Date[1]			
	Direct Interest		Deemed Interest	
Substantial Shareholders	**No. of Shares**	**%**	**No. of Shares**	**%**
National Australia Bank Limited	18,770,453	5.93%	18,770,453	5.93%
Bennelong Funds Management Group Pty Ltd	16,484,234	5.21%	16,484,234	5.21%

Notes:

(1) Total number of Shares issued (excluding treasury shares) as at the Latest Practicable Date is 316,484,749.

SHARE CAPITAL

5. (a) As at the Latest Practicable Date, there is only one class of ordinary shares in the Issuer. The rights and privileges attached to the shares are stated in the Constitution of the Issuer.

(b) As at the Latest Practicable Date, there is only one class of ordinary shares in each of the Initial Guarantors. The rights and privileges attached to the shares are stated in the Constitution or the Memorandum and Articles of Association of such Initial Guarantor.

6. The issued share capital of the Issuer as at the Latest Practicable Date is as follows:

Share Designation	**Issued Share Capital Number of Shares**
Ordinary Shares	316,484,749
Treasury Shares	Nil
Ordinary Shares (excluding Treasury Shares)	316,484,749

BORROWINGS

7. (a) Save as disclosed in Appendix IV, the Issuer had as at 31 December 2013 no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

(b) Save as disclosed in Appendix IV, each of the Initial Guarantors had as at 31 December 2013 no other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trading bills) or acceptance credits, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL

8. The Directors of the Issuer are of the opinion that, after taking into account the present banking facilities and the net proceeds of the issue of the Securities, the Issuer will have adequate working capital for its present requirements.

CHANGES IN ACCOUNTING POLICIES

9. There has been no significant change in the accounting policies of the Group since its audited financial accounts for the year ended 31 December 2013.

LITIGATION

10. There are no legal or arbitration proceedings pending or threatened against the Issuer, any of the Guarantors or any of their respective subsidiaries the outcome of which may have or have had during the 12 months prior to the date of this Information Memorandum a material adverse effect on the financial position of the Group.

MATERIAL ADVERSE CHANGE

11. Save as disclosed in this Information Memorandum, there has been no material adverse change in the financial condition, results of operations, or business of the Issuer, any of the Guarantors or the Group since 31 December 2013.

CONSENTS

12. HLB Mann Judd (SE Qld Partnership) has given and has not withdrawn its written consent to the issue of this Information Memorandum with the references herein to its name and, where applicable, reports in the form and context in which they appear in this Information Memorandum.

DOCUMENTS AVAILABLE FOR INSPECTION

13. Copies of the following documents may be inspected at the registered office of the Issuer at 159 Varsity Parade, Varsity Lakes, QLD 4227 Australia and at the specified office of the Issuing and Paying Agent at 10 Toh Guan Road, #04-11 (Level 4B), DBS Asia Gateway, Singapore 608838 during normal business hours for a period of six months from the date of this Information Memorandum:

    (a) the Constitution or the Memorandum and Articles of Association of each of the Issuer and the Guarantors;

    (b) the Trust Deed;

    (c) the letter of consent referred to in paragraph 12 above; and

    (d) the audited accounts of the Issuer and its subsidiaries for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 respectively.

FUNCTIONS, RIGHTS AND OBLIGATIONS OF THE TRUSTEE

14. The functions, rights and obligations of the Trustee are set out in the Trust Deed.

AUDITED FINANCIAL STATEMENTS OF G8 EDUCATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The information in this Appendix II has been extracted and reproduced from the annual audited financial statements of G8 Education Limited and its subsidiaries for the financial year ended 31 December 2011 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are to those as reproduced from the annual report for the financial year ended 31 December 2011.

Consolidated Income Statement

For the year ended 31 December 2011

	Notes	Consolidated 2011 $	Consolidated 2010 $
Revenue from continuing operations	5	137,949,541	66,392,288
Other Income	6	4,949,953	157,126
Expenses			
Employee benefits expense		(82,801,952)	(42,306,812)
Occupancy		(18,390,080)	(8,252,033)
Direct costs of providing services		(9,844,859)	(4,979,675)
Legal fees		(1,400,507)	(397,118)
Amortisation	7	(191,671)	(143,775)
Depreciation expense	7	(1,710,630)	(992,538)
Impairment	7	(586,718)	(425,206)
Insurance		(511,845)	(501,933)
Other expenses		(2,578,309)	(1,683,203)
Finance costs	7	(2,188,401)	(1,318,205)
Total expenses		(120,204,972)	(61,000,498)
Profit before income tax		22,694,522	5,548,916
Income tax expense	8	(5,444,171)	(2,068,592)
Profit for the year		**17,250,351**	**3,480,324**
		Cents	**Cents**
Basic earnings per share	36	9.27	3.20
Diluted earnings per share	36	9.27	3.20

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

		Consolidated	
		2011	2010
	Notes	$000	$000
Profit for the year		17,250,351	3,480,324
Other comprehensive income			
Exchange differences on translation of foreign operations	23	(785,079)	-
Total comprehensive income for the year		**16,465,272**	**3,480,324**

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

Consolidated Balance Sheet
As at 31 December 2011

	Notes	Consolidated 2011 $	Restated 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	9	14,166,146	8,015,645
Trade and other receivables	10	8,109,984	1,785,269
Other current assets	11	14,614,694	23,764,923
Assets classified as held for sale	12	-	50,000
Total current assets		36,890,824	33,615,837
Non-current assets			
Receivables	13	-	1,000,385
Property plant and equipment	14	7,975,414	6,049,678
Deferred tax assets	15	1,882,801	1,352,439
Intangible assets	16	142,082,894	72,786,538
Total non-current assets		151,941,109	81,189,040
Total assets		**188,831,933**	**114,804,877**
LIABILITIES			
Current liabilities			
Trade and other payables	17	27,926,195	12,290,461
Borrowings	18	315,961	1,637,581
Employee Entitlements	19	4,367,387	2,175,473
Current tax liabilities		3,879,517	501,092
Total current liabilities		36,489,060	16,604,607
Non-current liabilities			
Borrowings	20	36,437,637	13,913,614
Provisions	21	741,145	443,572
Total non-current liabilities		37,178,782	14,357,186
Total liabilities		**73,667,842**	**30,961,793**
Net assets		**115,164,091**	**83,843,084**
EQUITY			
Contributed equity	22	117,829,441	95,461,544
Reserves	23	(785,079)	31,444
Accumulated losses	23	(1,880,271)	(11,649,904)
Total equity		**115,164,091**	**83,843,084**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.
Restated 2010 Balance Sheet is disclosed in detail in note 22(b) and note 38.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

	Notes	Contributed equity $	Reserves $	Accumulated losses $	Total $
Consolidated					
Balance 1 January 2010		**30,957,697**	**33,843**	**(12,225,441)**	**18,766,099**
Total comprehensive income for the year as reported in the 2010 financial statements		-	-	4,520,324	4,520,324
Retrospective Adjustment to Profit	22	-	-	(1,040,000)	(1,040,000)
Restated Total Comprehensive Income for the year		**-**	**-**	**3,480,324**	**3,480,324**
Transactions with owners in their capacity as owners					
Contributions of Equity, net of transaction cost as reported in the 2010 financial statements	22	47,020,639	-	-	47,020,639
Retrospective adjustment to Contributed Equity	22	17,476,854	-	-	17,476,854
Restated Contributions of Equity net of transaction costs		**64,497,493**	**-**	**-**	**64,497,493**
Dividends		-	-	(2,904,787)	(2,904,787)
Employee share options expense		-	3,955	-	3,955
Employee share options exercised		6,354	(6,354)	-	-
Balance 31 December 2010	22,23	**95,461,544**	**31,444**	**(11,649,904)**	**83,843,084**
Balance 1 January 2011		**95,461,544**	**31,444**	**(11,649,904)**	**83,843,084**
Profit for the year		-	-	17,250,351	17,250,351
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction cost		22,361,257	-	-	22,361,257
Dividends		-	-	(7,476,077)	(7,476,077)
Foreign currency translation movements		-	(785,079)	(4,641)	(789,720)
Employee share options expense		-	(24,804)	-	(24,804)
Employee share options exercised		6,640	(6,640)	-	-
Balance 31 December 2011	22,23	**117,829,441**	**(785,079)**	**(1,880,271)**	**115,164,091**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2011

		Consolidated	
		2011	2010
	Notes	$	$
Cash flows from Operating Activities			
Receipts from customers (inclusive of goods and service tax)		134,603,005	64,803,437
Payments to suppliers and employees (inclusive of goods and service tax)		(118,789,656)	(56,519,106)
Interest received		543,781	357,620
Borrowing costs		(332,017)	(60,670)
Interest paid		(1,986,684)	(1,226,662)
Income taxes paid		(2,280,309)	-
Net cash in flows from operating activities	35	**11,758,120**	**7,354,619**
Cash flows from Investing Activities			
Payments for purchase of businesses (net of cash acquired)	11,30	(36,153,270)	(12,886,010)
Repayment of loans by related parties		108,333	195,395
Outflow of funds for term deposits		(1,889,458)	(1,090,540)
Payments for pre-acquisition costs		(6,612)	-
Proceeds from sale of property, plant and equipment		350,212	1,173,250
Payments for property plant & equipment		(2,249,138)	(912,799)
Net cash out flows from investing activities		**(39,839,933)**	**(13,520,704)**
Cash flows from Financing Activities			
Share issue costs		(1,048,625)	(1,003,913)
Dividends paid		(6,418,642)	(1,281,741)
Proceeds from issue of shares		18,956,639	17,934,968
Inflows from borrowings		21,588,960	-
Repayment of borrowings		(735,476)	(2,731,100)
Net cash inflows from financing activities		**32,342,856**	**12,918,214**
Net increase in cash and cash equivalents		**4,261,043**	**6,752,129**
Cash and cash equivalents at the beginning of the financial year		6,925,105	172,976
Cash and cash equivalents at the end of the financial year	9	**11,186,148**	**6,925,105**

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

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

NOTE 1:	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	34
NOTE 2:	FINANCIAL RISK MANAGEMENT	44
NOTE 3:	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	47
NOTE 4:	SEGMENT INFORMATION	48
NOTE 5:	REVENUE	49
NOTE 6:	OTHER INCOME	49
NOTE 7:	EXPENSES	50
NOTE 8:	INCOME TAX EXPENSE	51
NOTE 9:	CURRENT ASSETS – CASH AND CASH EQUIVALENTS	52
NOTE 10:	CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	52
NOTE 11:	CURRENT ASSETS – OTHER	54
NOTE 12:	CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE	54
NOTE 13:	NON-CURRENT ASSETS – RECEIVABLES	54
NOTE 14:	NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT	55
NOTE 15:	NON-CURRENT ASSETS – DEFERRED TAX ASSETS	57
NOTE 16:	NON-CURRENT ASSETS – INTANGIBLE ASSETS	58
NOTE 17:	CURRENT LIABILITIES – TRADE AND OTHER PAYABLES	59
NOTE 18:	CURRENT LIABILITIES – BORROWINGS	60
NOTE 19:	EMPLOYEE ENTITLEMENTS	60
NOTE 20:	NON-CURRENT LIABILITIES – BORROWINGS	61
NOTE 21:	NON-CURRENT LIABILITIES – PROVISIONS	63
NOTE 22:	CONTRIBUTED EQUITY	64
NOTE 23:	RESERVES AND ACCUMULATED LOSSES	66
NOTE 24:	DIVIDENDS	68
NOTE 25:	KEY MANAGEMENT PERSONNEL DISCLOSURES	69
NOTE 26:	REMUNERATION OF AUDITORS	75
NOTE 27:	CONTINGENCIES	75
NOTE 28:	COMMITMENTS	76
NOTE 29:	RELATED PARTY TRANSACTIONS	77
NOTE 30:	BUSINESS COMBINATIONS	77
NOTE 31:	PARENT ENTITY DISCLOSURES	83
NOTE 32:	SUBSIDIARIES	84
NOTE 33:	DEED OF CROSS GUARANTEE	85
NOTE 34:	EVENTS OCCURRING AFTER THE BALANCE SHEET DATE	87
NOTE 35:	RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	87
NOTE 36:	EARNINGS PER SHARE	88
NOTE 37:	SHARE-BASED PAYMENTS	88
NOTE 38:	DISCLOSURE OF THIRD BALANCE SHEET	90

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of G8 Education Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASB's), Australian Accounting Interpretation, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The company is a listed public company, incorporated in Australia and operating in Australia and Singapore. The entity's principal activities are operating childcare centres, contract management and ownership of franchised childcare centres.

The financial statements were authorised for issue on 27 February 2011.

Compliance with IFRS

Compliance with AASB's ensures that the financial report of G8 Education Limited and the Group complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of G8 Education Limited ("Company" or "parent entity") as at 31 December 2011 and the results of all subsidiaries for the year then ended. G8 Education Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries (as stated in note 32) are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Board of Directors that makes strategic decisions.

(d) Seasonality

The childcare industry has a distinct seasonal pattern. A large group of children leave childcare to commence school at the beginning of the year and then revenue increases with new enrolments as the calendar year progresses. Therefore the second half of the year delivers significantly more than half of the annual profit.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is G8 Education Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

Non-monetary items are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets are liabilities such as equities held at fair value through profit or loss are recognized in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

(f) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the service provided have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each.

Revenue is recognised for the major business activities as follows:

a) Child care fees

Fees paid by the government (Child Care Benefit) or parent fees are recognised as and when a child attends a child care service.

b) Management fees

Fees paid by external clients for management of child care centres or development of new centres is recognised when the service has been performed.

c) Government Funding/Grants

Training incentives and funding for "Special Needs" are recognised when there is reasonable assurance that the incentive will be received and when the relevant conditions have been met.

d) Deferred income

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

e) Interest income

Interest income is recognised using the effective interest method.

(g) 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. Management 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 group 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 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 and loss, expect 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.

Tax consolidation legislation

G8 Education Limited and its wholly-owned controlled entities have implemented the tax consolidation legislation.

The parent entity, G8 Education Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, G8 Education Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidation Group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Leases

Leases of property, plant and equipment where the Group, 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 statements of comprehensive income 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 Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statements of comprehensive income on a straight-line basis over the year of the lease.

(i) 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 Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1 (p)). If the cost of acquisition is less than the Group'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 entity'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.

(j) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated based on the discounted cash flows of the childcare centres over the lease period including a terminal value calculation, which is assessed on a segment level.

Goodwill must be assessed for impairment at the lowest level at which management monitors goodwill, however the level cannot be higher than the operating segment level. The group operates two operating segments and management monitors goodwill at each of these two levels. Therefore goodwill is tested for impairment at each of the two levels of operating segments.

(k) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables represent child care fees receivable from the Government Child Care Benefit (CCB) and parents.

Under the weekly Child Care Management System (CCMS), implemented in July 2008, CCB is generally paid weekly in arrears based on the actual attendance and entitlement of each child attending the childcare centre.

Parent fees are required to be paid two weeks in advance. Therefore, the parent fees receivable relate to amounts past due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statements of comprehensive income in other expenses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statements of Comprehensive Income.

(m) Non-current assets (or disposal Groups) held for sale

Non-current assets (or disposal Groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal Group) to fair value less costs to sell.

Non-current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

(n) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in the statements of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Statements of Comprehensive Income as gains and losses from investment securities.

Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in the profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the available for sale financial assets are presented in the Statements of Comprehensive Income within other comprehensive income in the year in which they arise. Dividend income from available for sale financial assets is recognised in the Statements of Comprehensive Income as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statements of comprehensive income. Increases in the value of available for sale investments are taken to Other Comprehensive Income.

(o) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statements of comprehensive income during the reporting year in which they are incurred.

Depreciation for vehicles is calculated using the diminishing value method and on other assets calculated using the straight-line method to allocate their cost net of their residual values, over their estimated lives, as follows:

Buildings	40 years
Vehicles	3- 5 years
Furniture, fittings and equipment	2 – 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statements of comprehensive income.

(p) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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 cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments (note 4).

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 – 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statements of comprehensive income over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are capitalised as a prepayment for borrowing services and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in impairment of intangible assets.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(s) Provisions

Provisions for legal claims, and make-good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measures at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(t) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to key management personnel. Information relating to this is set out in note 25.

The fair value of options granted is recognised as a share based payment expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period during which the employees become unconditionally entitled to the options.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each year takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statements of comprehensive income with a corresponding adjustment to equity.

The company may issues loans to key management personal to acquire shares in the company as part of the remuneration and retention planning of key management personal. If the market value of the shares on issue date is higher than the value of the shares prescribed in the loan agreement then the difference is expensed to the income statement and corresponding increase in equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(v) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(w) Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(y) New accounting standards and interpretations

In the year ended 31 December 2011, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 31 December 2011. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other risks, ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

(a) Interest Rate Risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from borrowings. Borrowings issued at variables rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates do not expose the Group to fair value interest rate risk as the interest rate is fixed.

As at the reporting date, the Group had the following variable rate borrowings:

	31 December 2011		31 December 2010	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Bank Loan	5.12	36,437,637	5.16	5,868,821
Net exposure to cash flow interest rate risk		**36,437,637**		**5,868,821**

An analysis by maturities is provided in note 2 (c) below.

NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Group sensitivity

At 31 December 2011, if interest rates had changed by -/+ 1 % absolute from the year end rates with all other variables held constant, post-tax profit for the year would have been $209,182 higher or $208,865 lower respectively (net profit for 2010:$41,764 or $37,178 respectively).

Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

		Interest rate risk			
		-1%		+1%	
31 December 2011	**Carrying amount $**	**Profit $**	**Equity $**	**Profit $**	**Equity $**
Financial Liabilities					
Bank Loan	36,437,637	209,182	209,182	(208,865)	(208,865)
Total increase /(decrease)		209,182	209,182	(208,865)	(208,865)
31 December 2010					
Financial Liabilities					
Bank Loan	15,368,821	41,764	41,764	(37,178)	(37,178)
Total increase /(decrease)		41,764	41,764	(37,178)	(37,178)

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to trade and other debtors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

Trade debtor credit risk is managed by requiring child care fees to be paid in advance. Outstanding debtor balances are reviewed weekly and followed up in accordance with the Company's debt collection policy. Credit risk is also minimised by federal government funding in the form of child care benefits, as they are considered to be a high quality debtor.

NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated 2011 $	2010 $
Trade receivables		
Counterparties with external credit rating		
AAA	1,279,034	850,623
Counterparties without external credit rating		
Receivables (current and non-current)	6,830,950	1,935,032
Total receivables	**8,109,984**	**2,785,655**
Cash at bank and short term deposits		
Counterparties with external credit rating		
AA	14,166,146	8,015,645

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Details of financing arrangements are disclosed in note 20 (d).

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining year at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Consolidated 2011 $			
	0 to 6 months	**6 to 12 months**	**Greater than 12 months**	**Carrying Amount**
Bank Loan	-	-	36,437,637	36,437,637
Other loans	211,677	74,833	-	286,510
Equipment loans	10,480	18,971	-	29,451
Deferred Centre Acquisition	11,940,000	3,311,000	-	15,251,000
Trade and Other Payables	11,499,455	1,175,740	-	12,675,195

Included in the above figure disclosed for deferred centre acquisitions is a liability of $11.94m for Kindy Patch to be settled by the issue of shares valued at $0.995, being the value of the company's shares at the date control was gained. These shares will be issued in February 2012 as the Kindy Patch group exceeded the earnout target.

The bank loan is a revolving bill which rolls on a monthly basis and is next due on 20 January 2013. The bill facility has an expiry of 31 March 2014. Debt covenants are in place over this facility which were met as at 31 December 2011, and are forecast to be met throughout 2012.

NOTE 2: FINANCIAL RISK MANAGEMENT (CONTINUED)

	Consolidated 2010 $			
	0 to 6 months	**6 to 12 months**	**Greater than 12 months**	**Carrying Amount**
Bank Loan	507,691	1,007,692	13,884,163	15,399,546
Interest rate cap	49,626	49,626	-	99,252
Hire Purchase	46,645	-	-	46,645
Other loans	28,182	28,183	-	56,365
Equipment loans	9,594	9,594	29,451	48,639
Deferred Centre acquisition	4,369,595	98,050	-	4,467,645
Trade and Other Payables	7,209,091	613,725	-	7,822,816

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Estimated impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Deferred contingent consideration on acquisition of business

The group includes the fair value of deferred contingent consideration as a liability for the acquisition of a business where it expects the earnout target to be met during the measurement period. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement.

(iii) Contingent liability

a. Australia – The Group is a defendant in proceedings before the A.C.T Supreme Court. The proceedings relate to the decision by the company not to proceed with the purchase of two child care centres in the A.C.T. in 2008.

   The plaintiff is seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold childcare centres which the Group had contracted to purchase. The case was heard in April 2009 and judgement has been reserved. It is not known when the decision will be handed down.

b. Singapore – The Group is a defendant in proceedings before the High Court of Singapore in regards to the completion of the Business Acquisition Contract. The assignment of the franchise centres are not in dispute by either party and the Group has been receiving the royalty fees from these centres.

NOTE 4: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the board of directors that are used to make strategic decisions.

The board of directors consider the business from a geographic perspective and has identified two reportable segments;

a. Operation of child care centres, both owned and managed, within Australia; and

b. Operation of child care centres, both owned and franchised, within Singapore.

Although the Singapore segment does not meet the quantitative threshold required by AASB 8, the Directors have concluded that this segment should be reported, as it is closely monitored as a potential growth segment, and is expected to materially contribute to the future group revenue.

(b) Segment information provided to the board of directors

The segment information provided to the board of directors for the reportable segments for the year ended 31 December 2011 is as follows:

	Operations of Childcare		
2011	**Australia**	**Singapore**	**Total**
Total segment revenue	139,023,066	3,876,428	142,899,494
Revenue from external customers	**139,023,066**	**3,876,428**	**142,899,494**
Adjusted EBITDA	**21,828,299**	**1,746,326**	**23,574,625**
Depreciation and amortisation	(1,884,874)	(17,427)	(1,902,301)
Goodwill impairment	(586,718)	-	(586,718)
Income Tax Expense	(5,346,318)	(97,853)	(5,444,171)
Total Segment Assets	**170,444,582**	**18,387,351**	**188,831,933**
Total Segment Liabilities	**72,924,496**	**743,346**	**73,667,842**

	Operations of Childcare		
2010	**Australia**	**Singapore**	**Total**
Total segment revenue	66,549,414	-	66,549,414
Revenue from external customers	**66,549,414**	**-**	**66,549,414**
Adjusted EBITDA	**9,311,514**	**-**	**9,311,514**
Depreciation and amortisation	(1,136,313)	-	(1,136,313)
Goodwill impairment	(425,206)	-	(425,206)
Income Tax Expense	(2,068,592)	-	(2,068,592)
Total Segment Assets	**114,804,877**	**-**	**114,804,877**
Total Segment Liabilities	**30,961,793**	**-**	**30,961,793**

The board of directors assess the performance of the operating segments based on a measure of adjusted EBITDA. This measure basis excludes the effects of non-recurring expenditure from the operating segments such as loss on sale of non-current assets, legal expenses and goodwill impairments when the impairment is the result of an isolated, non-recurring event. Furthermore, the measure excludes the effects of equity-settled share based payments.

NOTE 4: SEGMENT INFORMATION (CONTINUED)

A reconciliation of adjusted EBITDA to profit before income tax is provided as follows:

	2011	2010
Adjusted EBITDA	23,574,625	9,311,514
Finance costs	(2,188,401)	(1,318,205)
Depreciation and amortisation expense	(1,902,301)	(1,136,313)
Deferred consideration not payable recognised as income	4,298,816	-
Legal expenses	(1,152,636)	-
Share based payment expense for share loan issued to key management personal	-	(1,040,000)
Gain on disposal of assets	651,137	157,126
Impairment expense	(586,718)	(425,206)
Profit before income tax from continuing operations	22,694,522	5,548,916

The amounts provided to the board of directors with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment and the physical location of the assets.

NOTE 5: REVENUE

	Consolidated	
	2011 $	2010 $
From continuing operations		
Sales revenue		
Revenue from childcare centres	134,156,609	65,249,234
Other revenue		
Management fees & royalties	1,890,772	751,328
Interest *	1,902,160	391,726
Total revenue from operations	**137,949,541**	**66,392,288**

*Includes interest earned from loans as disclosed in note 25.

NOTE 6: OTHER INCOME

		Consolidated	
		2011 $	2010 $
Net gain on disposal of assets		651,137	157,126
Headstart deferred consideration not payable	(a)	4,298,816	-
		4,949,953	**157,126**

(a) Headstart deferred consideration not payable

The Headstart earnout payment is not payable due to the centres not achieving the earnout EBIT for the earnout period. As a result, in accordance with AASB 3, the earnout amount which was disclosed as a liability in deferred consideration has been written back to the Consolidated Income Statement.

NOTE 7: EXPENSES

	Consolidated 2011 $	2010 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	37,500	37,500
Vehicles	142,976	109,316
Furniture, fittings and equipment	1,530,154	845,722
Total Depreciation	1,710,630	992,538
Finance Costs		
Interest and finance charges paid/payable	2,188,401	1,318,205
Rental expenses relating to operating leases		
Minimum lease payments	16,599,491	7,314,917
Amortisation		
Borrowing costs	191,671	143,775
Impairment		
Intangible assets and Plant and Equipment	586,718	425,206
Total Impairment expense	586,718	425,206
Bad & doubtful debts	130,561	250,111

The impairment expense relates to the loss on the sale of Capalaba of $532,329, $21,410 on Little Pearlers and total of $32,979 relating to disposal of assets including assets in the Emerald World of Learning centre that were not recoverable as a result of flooding.

NOTE 8: INCOME TAX EXPENSE

	Consolidated 2011 $	2010 $
(a) Income tax expense		
Current tax	5,659,946	554,818
Deferred tax	(215,775)	1,513,774
Income tax expense	5,444,171	2,068,592
Income tax expense is attributable to:		
Profit from continuing operations	5,444,171	2,068,592
	5,444,171	**2,068,592**
Deferred income tax expense included in income tax expense comprises:		
(Increase) decrease in deferred tax assets (refer note 15)	(215,775)	1,513,774
	(215,775)	1,513,774
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	22,694,522	5,548,916
Tax on Australian operations at the Australian tax rate of 30% (2010:30%)	6,635,677	1,664,674
Tax on Singapore operations at the Singapore tax rate of 17%	97,853	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	27,082	9,299
Other	355	2,194
Net gain on disposals	(195,341)	(47,138)
Impairment	176,015	127,563
Share based payment reserve adjustment	(7,825)	312,000
Headstart deferred consideration not payable	(1,289,645)	-
Income tax expense	**5,444,171**	**2,068,592**
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity	314,587	301,174

NOTE 9: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	$	$
Cash at bank and in hand	5,022,889	3,038,165
Deposits at call*	9,143,257	4,977,480
	14,166,146	**8,015,645**

**The effective average interest rate for the deposits at call was 4.38%. Included in above is $2,979,998 used as security against the company's bank guarantee facility (2010 –$1,090,540) as such this cash balance cannot currently be used for operating expenses.*

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2011	2010
	$	$
Balance as per above	14,166,146	8,015,645
Less: Term Deposits held as security against bank guarantees	(2,979,998)	(1,090,540)
Balance as per Statement of Cash Flows	**11,186,148**	**6,925,105**

Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 2.

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	$	$
Trade and other receivables		
Trade receivables	5,611,671	1,521,179
Allowance for impairment of receivables (note (a) below)	(25,205)	(71,418)
	5,586,466	1,449,761
GST Receivable	261,219	190,464
Other debtors	1,423,886	145,044
Related party debtors*	838,413	-
Total trade and other receivables	**8,109,984**	**1,785,269**

***** See note 29 (d).

(a) Impaired trade receivables

As at 31 December 2011 current trade receivables of the group with a nominal value of $50,409 (2010 - $142,836) were impaired. The amount of the allowance for impairment was $25,205 (2010 - $71,418). It was assessed that a portion of the receivables is expected to be recovered.

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES (C0NTINUED)

The ageing of these receivables is as follows:

	Consolidated	
	2011	**2010**
	$	**$**
Up to 3 months	50,409	142,836
	50,409	142,836

The Group has recognised a loss of $130,561 in respect of impaired trade receivables during the year ended 31 December 2011 (2010 - $250,111). The loss has been included in 'other expenses' in the Consolidated Income Statement.

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

	Consolidated	
	2011	**2010**
	$	**$**
Opening balance	71,418	15,139
Allowance for impairment recognised during the year	130,561	250,111
Receivables written off during the year as uncollectable	(176,774)	(193,832)
Closing balance	25,205	71,418

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

(b) Past due but not impaired

As of 31 December 2011, trade receivables of $3,071,632 (2010 - $861,019) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2011	**2010**
	$	**$**
Up to 3 months	2,696,393	860,813
3 to 6 months	43,376	-
Over 6 months	331,863	206
	3,071,632	861,019

The amount past due but not impaired in 2011 is greater than that of 2010 due to the increased number of centres in the group at year end compared to the prior year. The balance above included in over 6 months category solely relates to funds due to G8 Education Limited from Cherie Hearts Group International. This receivable forms part of the court case between G8 Education Ltd & CHGI as disclosed in note 27.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value, refer note 2.

Information concerning the credit risk of receivables is set out in note 2.

NOTE 11: CURRENT ASSETS – OTHER

	Consolidated 2011 $	2010 $	2009 $
Other current assets			
Prepayments	1,924,173	1,169,339	931,599
Deposits	574,306	190,104	5,910
Deposits on acquisitions	12,116,215	22,405,480	-
Total other current assets	**14,614,694**	**23,764,923**	**937,509**

(a) Deposits on acquisitions – Cherie Hearts

As announced on 28 October 2010 the Company has entered into a contract to purchase the assets of Cherie Hearts International Group *("CHGI")*. The total purchase price is $19.23 million. The transaction will be fully funded from cash reserves. As at 31 December 2011, $12,031,215 has been paid and is accounted for as a deposit.

The acquisition of the assets of CHGI is currently in dispute. The case has been heard by the High Court in Singapore with final submissions completed in December 2011. The Group is the defendant in the matter (refer to Note 27)

NOTE 12: CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated 2011 $	2010 $
Current assets classified as held for sale		
Assets held for sale	-	393,189
Less accumulated depreciation	-	(30,315)
Less allowance for impairment	-	(312,874)
Total Assets classified as held for sale	**-**	**50,000**

NOTE 13: NON-CURRENT ASSETS – RECEIVABLES

	Consolidated 2011 $	2010 $
Loans to key management personnel	-	900,385
Other receivables	-	100,000
	-	**1,000,385**

Further information relating to loans to key management personnel is set out in note 25.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

NOTE 13: NON-CURRENT ASSETS – RECEIVEABLES (CONTINUED)

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2011		2010	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Loans to nominees of management personnel	-	-	900,385	900,385
Other receivables	-	-	100,000	100,000
	-	**-**	**1,000,385**	**1,000,385**

(c) Risk exposure

Information about the group's exposure to credit risk and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of receivables mentioned above.

NOTE 14: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	**Buildings** $	**Vehicles** $	**Furniture, fittings and equipment** $	**Total** $
Year ended 31 December 2011				
Opening net book amount	1,385,739	339,784	4,324,155	6,049,678
Additions through business combinations	-	33,797	1,507,167	1,540,964
Additions - other	-	85,559	2,137,481	2,223,040
Disposals	-	(32,209)	(95,429)	(127,638)
Depreciation charge	(37,500)	(142,976)	(1,530,154)	(1,710,630)
Closing net book amount	1,348,239	283,955	6,343,220	7,975,414
At 31 December 2011				
Cost	1,500,001	631,269	9,752,200	11,883,470
Accumulated depreciation	(151,762)	(347,314)	(3,408,980)	(3,908,056)
Net Book amount	1,348,239	283,955	6,343,220	7,975,414

NOTE 14: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated	Buildings	Vehicles	Furniture, fittings and equipment	Total
	$	$	$	$
Year ended 31 December 2010				
Opening net book amount	1,423,239	331,286	2,017,424	3,771,949
Additions through business combinations	-	29,960	2,295,851	2,325,811
Additions - other	-	97,178	1,000,243	1,097,421
Disposals	-	(9,324)	(107,114)	(116,438)
Transferred to current assets classified as held for sale (note 12)	-	-	(36,527)	(36,527)
Depreciation charge	(37,500)	(109,316)	(845,722)	(992,538)
Closing net book amount	1,385,739	339,784	4,324,155	6,049,678
At 31 December 2010				
Cost	1,500,001	544,122	6,202,981	8,247,104
Accumulated depreciation	(114,262)	(204,338)	(1,878,826)	(2,197,426)
Net Book amount	1,385,739	339,784	4,324,155	6,049,678

(a) Leasehold Improvements

Furniture, fittings and equipment includes the following amounts that are leasehold improvements:

	Consolidated	
	2011 $	2010 $
Cost	3,903,251	3,109,607
Accumulated depreciation	(1,094,943)	(626,548)
Net book amount	2,808,308	2,483,059

(b) Leased assets

Vehicles and Furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2011 $	2010 $
Cost	217,969	217,959
Accumulated depreciation	(117,963)	(69,081)
Net book amount	100,006	148,878

(c) Non-current assets pledged as security

Refer to note 20(c) for information on the non-current assets pledged as security by the Company and its controlled entities.

NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Deferred Tax Asset	Consolidated 2011	2010
	$	$
The balance comprises temporary differences attributable to:		
Employee benefits	1,504,104	785,713
IPO/share issue transaction costs	626,081	663,964
	2,130,185	1,449,677
Other		
Doubtful debts	7,561	21,426
Accrued expenses	162,326	93,239
Sub total other	169,887	114,665
Total deferred tax assets	2,300,072	1,564,342
Deferred tax assets to be recovered within 12 months	1,570,655	962,390
Deferred tax assets to be recovered after more than 12 months	729,417	601,952
	2,300,072	1,564,342
Deferred Tax Liability		
Prepayments	(417,271)	(211,903)
Total deferred tax liability	(417,271)	(211,903)
Net Deferred Tax Asset	**1,882,801**	**1,352,439**

Movements – Consolidated

	Tax Losses $	Employee benefits $	IPO Transaction Costs $	Other $	Total $
At 1 January 2010	1,274,076	221,227	653,685	4,448	2,153,436
Tax losses acquired in business combination	411,603	-	-	-	411,603
Charged to the Consolidated Income Statement	(1,685,679)	564,486	(290,895)	(101,686)	(1,513,774)
Charged directly to equity	-	-	301,174	-	301,174
At 31 December 2010	**-**	**785,713**	**663,964**	**(97,238)**	**1,352,439**
Charged to the Consolidated Income Statement	-	718,391	(352,471)	(150,145)	215,775
Charged directly to share issue costs associated with contributed equity	-	-	314,587	-	314,587
At 31 December 2011	**-**	**1,504,104**	**626,080**	**(247,383)**	**1,882,801**

NOTE 16: NON-CURRENT ASSETS – INTANGIBLE ASSETS

Consolidated	Goodwill 2011 $	Goodwill 2010 $	Goodwill 2009 $
Year ended 31 December			
Opening net book amount	72,786,538	30,347,611	30,289,611
Additions	70,094,169	42,915,274	-
Adjustment in respect of prior year acquisition	-	-	58,000
Disposals	(211,095)	(51,141)	-
Impairment charge	(586,718)	(425,206)	-
Closing net book amount	142,082,894	72,786,538	30,347,611
At 31 December			
Cost	153,134,818	83,251,744	40,387,611
Accumulated impairment	(11,051,924)	(10,465,206)	(10,040,000)
Net Book amount	142,082,894	72,786,538	30,347,611

The Goodwill cost and addition figure shown in the 2010 column above differs from the 2010 lodged annual report due to fair value retrospective adjustments of the value of the shares issued as consideration for numerous acquisitions as disclosed in detail in note 22.

(a) Impairment tests for goodwill

Goodwill is tested for impairment on an operating segment level as outlined in note 1(j). The recoverable amount of the childcare centre assets in the segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts for 2012 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the segment operates.

(b) Key assumptions used for value-in-use calculation

The value in use calculation is based on forecast EBITDA which is a function of occupancy, child care fees and centre expenses. The average long day care occupancy for the portfolio of centres is forecast at 80% for 2011 (79% in 2010). Child care fees are based on current market price plus forecast annual increases. Centre expenses include the following key items:

- Centre wages – based on industry award standards and forecast to increase by a CPI index annually
- Centre occupancy expenses – based on current operating leases and increased by a CPI index annually
- Other child care expenses – driven by historical expenditure and future occupancy growth.

The forecast occupancy reflects seasonal factors and underlying growth in occupancy achieved from the implementation of the Company's strategies. Economic occupancy levels represent the key to financial success for G8 Education Limited given the largely fixed cost-base of child care centres.

The impairment model has the following key attributes;

- Centre EBITDA growth of 4% until the end of lease and option years;
- Pre-tax discount rate of 12%;
- Full head office costs allocated to each cash generating unit based on centre licence capacity to the consolidated Group;
- Assumed additional expenditure of $15,000 per centre per annum to maintain assets in their current state; and
- Terminal growth calculation with a growth rate of 2% and a reduction in Terminal Value of 60%.

NOTE 16: NON-CURRENT ASSETS – INTANGIBLE ASSETS (CONTINUED)

(c) Impairment charge

As a result of the value in use calculations described above it was determined that no impairment was required to be recognised.

AASB 136 Impairment of assets requires the Group to recognise an impairment loss if the recoverable amount of an asset is less than its carrying amount. The standard does not allow an impairment gain to be booked for an asset whose recoverable amount materially exceeds its carrying amount.

Sensitivity Analysis on Impairment calculations as at 31 December	Profit Impact 2011 $'000	Profit Impact 2010 $'000
Movement in WACC (+ 1%)	-	-
Movement in WACC (-1%)	-	-
Movement in EBITDA (+ 5%)	-	-
Movement in EBITDA (- 5%)	-	-

NOTE 17: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2011 $	2010 $
Trade payables	2,230,444	1,669,691
Deferred Centre Acquisitions	15,251,000	4,467,645
Dividends Payable	1,874,185	1,623,045
Centre Enrolment Advances	2,351,479	1,227,450
Other payables and accruals	3,693,832	1,792,196
Deferred income	2,525,255	1,510,434
	27,926,195	12,290,461

The balance shown above for deferred centre acquisitions includes 12 million shares due to be issued to the vendors of Kindy Patch as part of the earnout acquisition payment. The Kindy Patch group exceeded the earnout EBIT and as such the full amount of shares will be issued. The shares are valued in current liabilities above at $11.94 million which represents the fair value of the shares at date of control in accordance with AASB3.

NOTE 18: CURRENT LIABILITIES – BORROWINGS

	Consolidated 2011 $	2010 $
Secured		
Bank Loan	15,342	1,515,383
Equipment Loans	29,451	19,188
Hire Purchase	-	46,645
Other loans	271,168	56,365
Total current borrowings	315,961	1,637,581

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2(a).

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 20(f).

NOTE 19: EMPLOYEE ENTITLEMENTS

	Consolidated 2011 $	2010 $
Employee benefits	4,367,387	2,175,473
	4,367,387	2,175,473

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated 2011 $	2010 $
Leave obligations expected to be settled after 12 months	436,739	217,547
	436,739	217,547

NOTE 20: NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated 2011 $	2010 $
Secured		
Bank Loan	36,437,637	13,884,163
Equipment Loans	-	29,451
Total secured non-current borrowings	36,437,637	13,913,614
Total non-current borrowings	36,437,637	13,913,614

(a) Bills payable

Bills have been drawn as a source of financing on a needs basis. They are due to roll on the 20 January 2012 and bear variable interest. The Bill facility is revolving bill facility expiring on 31 March 2014.

(b) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2011 $	2010 $
Bank Loan	36,452,979	15,399,546
Equipment	29,451	48,639
Hire Purchase	-	46,645
Other Loans	271,168	56,365
Total secured liabilities	36,753,598	15,551,195

(c) Assets pledged as security

The bank bills and overdraft of the group are secured by:

- a fixed and floating charge over all the assets of the Company and its subsidiaries
- first ranking registered mortgages over all leasehold property owned by the Group
- an unlimited guarantee in favour of the Company from its subsidiaries
- a right of entry in relation to certain leased premises.

NOTE 20: NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

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

	Notes	Consolidated 2011 $	2010 $
Current			
First Mortgage			
Current assets classified as held for sale	12	-	50,000
Floating Charge			
Cash and cash equivalents	9	14,166,146	8,015,645
Trade and other receivables	10	8,109,984	1,785,269
Other current assets	11	14,614,694	23,764,923
Total current assets pledged as security		36,890,824	33,615,837
Non-current			
First Mortgage			
Buildings	14	1,348,239	1,385,739
Floating charge			
Vehicles, plant and equipment	14	6,627,175	4,663,939
Total non-current assets pledged as security		7,975,414	6,049,678
Total assets pledged as security		44,866,238	39,665,515

(d) Financing arrangements

As at 31 December 2011 the following lines of credit were in place:

	Consolidated 2011 $	2010 $
Credit standby arrangements		
Total facilities		
Bank overdrafts	-	1,000,000
Credit cards	170,000	170,000
Asset Finance-Leasing	200,000	200,000
	370,000	1,370,000
Used at balance date		
Bank overdrafts	-	-
Credit cards	91,401	65,488
Asset Finance-Leasing	44,153	181,784
	135,554	247,272

NOTE 20: NON-CURRENT LIABILITIES – BORROWINGS (CONTINUED)

	Consolidated 2011 $	Consolidated 2010 $
Unused at balance date		
Bank overdrafts	-	1,000,000
Credit cards	78,599	104,512
Asset Finance-Leasing	155,847	18,216
	234,446	1,122,728
Bank loan facilities		
Total facilities	50,000,000	15,430,000
Used at balance date	(36,680,000)	(15,430,000)
Unused at balance date	13,320,000	-
Bank Guarantee facilities		
Total Facilities	5,700,000	2,300,000
Used at Balance date	(4,976,136)	(1,829,444)
Unused at balance date	723,864	470,556

(e) Interest rate risk exposure

Information about the Group's exposure to interest rate changes is provided in note 2.

(f) Fair value

The carrying amounts and fair values of borrowings at balance dates are:

	2011		2010	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Non-traded financial liabilities				
Bank Loan	36,452,979	36,452,979	15,399,546	15,399,546
Equipment Loans	29,451	29,451	48,639	48,639
Hire Purchase	-	-	46,645	46,645
Other loans	271,168	271,168	56,365	56,365
	36,753,598	36,753,598	15,551,195	15,551,195

NOTE 21: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated 2011 $	Consolidated 2010 $
Employee benefits	741,145	443,572
	741,145	443,572

NOTE 22: CONTRIBUTED EQUITY

	Consolidated 2011 Shares	Consolidated 2010 Shares	Consolidated 2011 $	Consolidated 2010 $
(a) Share capital				
Ordinary shares Fully paid	187,418,479	162,304,537	117,829,441	95,461,544

(b) Movements in ordinary share capital

Date	Details		Number of shares	$
31 December 2009	Balance		44,000,000	30,957,697
Transactions as reported in the 2010 Financial Statements				
	Shares issued to vendors during the year		91,674,149	30,953,411
	Exercise of options by C Sacre during the year		500,000	100,000
	Issue to nominees of C Scott & C Chapman		4,000,000	1,400,000
	Share Placement to institutions and professional investors		18,938,622	13,067,649
	Share Purchase Plan		3,191,766	2,202,318
	Less: Transaction costs of shares issued		-	(702,739)
	Plus: Transfer of option reserve for options exercised in 2010		-	6,354
31 December 2010	**Balance as reported in the 2010 Financial Statements**		**162,304,537**	**77,984,690**
	Fair Value adjustment on Issue to vendors	**	-	16,436,854
	Fair Value adjustment on Issue to nominees of C Scott & C Chapman	##	-	1,040,000
31 December 2010	**Restated balance as at 31 December 2010**		**162,304,537**	**95,461,544**
	Shares issued to vendors during the year		2,850,000	3,339,000
	Exercise of options by C Sacre during the year		250,000	50,000
	Share Placement to institutions and professional investors		21,000,000	18,900,000
	Dividend Reinvestment Plan		1,013,942	806,294
	Less: Transaction costs of shares issued		-	(734,037)
	Plus: Transfer of option reserve for options exercised in 2011		-	6,640
31 December 2011	**Balance**		**187,418,479**	**117,829,441**

Retrospective Restatement

*** The fair value adjustments listed above in 2010 relate to the difference between the contract price of the shares issued to vendors compared to the market price on the date of issue. The difference between these two values has been accounted for by increasing equity, intangibles and deposits on acquisitions as at 31 December 2010. The impact of the 2010 adjustments disclosed above was to increase goodwill by $13,325,854 and an increase to deposits on acquisitions of $3,111,000 and an increase to equity of $16,436,854.*

NOTE 22: CONTRIBUTED EQUITY (CONTINUED)

The fair value adjustment for the issue of shares to nominees of Mr C Scott and Mr C Chapman relates to the difference between the loan value of the shares issued compared to the market price on the date of issue. The difference between these two values has been treated as a share based payment and accounted for by increasing employment expenses for the year ended 31 December 2010 and equity as at 31 December 2010. The impact of the 2010 adjustment disclosed above was to increase employee expenses by $1,040,000 and a corresponding increase to equity. The prior year adjustment disclosed above has the impact of reducing earnings per share by $0.0096.

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Options

Information relating to the G8 Education Limited options issued, exercised and lapsed during the year and options outstanding at the end of the financial year are as disclosed in note 25. There were no new options granted during 2011.

(e) Dividend reinvestment plan

The company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares rather than by being paid in cash. Shares are issued under the plan and the company will advise the market at the time of announcing the dividend if there will be a discount applied to the market price.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

NOTE 22: CONTRIBUTED EQUITY (CONTINUED)

The gearing ratios at 31 December 2011 were as follows:

	Notes	Consolidated 2011 $	Consolidated 2010 $
Total borrowings	17,18, 20	68,559,310	28,342,748
Less: cash and cash equivalents	9	(14,166,146)	(8,015,645)
Net debt		54,393,164	20,327,103
Total equity		115,164,091	83,843,084
Total capital		169,557,255	104,170,187
Gearing ratio		**32%**	**20%**
Adjusted Gearing ratio*		**25%**	**20%**

*The adjusted gearing ratio disclosed above decreases total borrowings by $11.94m and increases total equity by the same amount. The $11.94m represents the deferred consideration for the Kindy Patch acquisition which will be settled via the issue of G8 Education Ltd shares and not cash settled. The shares will be issued during February 2012.

NOTE 23: RESERVES AND ACCUMULATED LOSSES

	Consolidated 2011 $	Consolidated 2010 $
(a) Reserves		
Share-based payments reserve	-	31,444
Movements		
Share-based payments reserve		
Opening balance	31,444	33,843
Employee share options exercised	(6,640)	(6,354)
Employee share option expense	(24,804)	3,955
Closing balance	-	31,444
Foreign currency translation	(785,079)	-
Movements		
Foreign Currency Translation Reserve		
Opening balance	-	-
Currency translation differences arising during the year	(785,079)	-
Closing balance	(785,079)	-

NOTE 23: RESERVES AND ACCUMULATED LOSSES (CONTINUED)

	Consolidated	
	2011	**2010**
	$	**$**
(b) Accumulated losses	(1,880,271)	(11,649,904)
Movements		
Opening balance	(11,649,904)	(12,225,441)
Profit for the year*	17,250,351	3,480,324
Items in other comprehensive income recognised directly in retained earnings		
Exchange differences on translation of foreign operations	(4,641)	-
Dividends	(7,476,077)	(2,904,787)
Closing balance	(1,880,271)	(11,649,904)

*Refer to note 22 for explanations on the retrospective adjustments made in the 2010 comparative numbers in the accounting for share based payment expense in respect of the loan and shares issued at the direction of Mr C Chapman and Mr C Scott.

(c) Nature and purpose of reserves

(i) Share-based payments – the share-based payments reserve is used to recognise the grant date fair value of options issued to employees but not exercised.

(ii) *Foreign currency translation* – Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTE 24: DIVIDENDS

(a) Ordinary Shares

	Consolidated 2011 $	Consolidated 2010 $
Interim dividend for the quarter ended 31 March 2011 of 1 cent (2010 – Nil) per fully paid share paid on 11 April 2011		
Unfranked interim dividend	1,863,837	-
Interim dividend for the quarter ended 30 June 2011 of 1 cent (2010 – Nil) per fully paid share paid on 11 July 2011		
Unfranked interim dividend	1,866,865	-
Interim dividend for the quarter ended 30 September 2011 of 1 cent (2010 – 1 cent) per fully paid share paid on 10 October 2011 (2010 – 7 October 2010)		
Unfranked interim dividend	1,871,190	1,281,741
Interim dividend for the quarter ended 31 December 2011 of 1 cent (2010 – 1 cent) per fully paid share paid on 16 January 2012 (2010 – 11 January 2011)		
Fully franked based on tax paid @ 30%	1,874,185	1,623,046
Total dividends provided for or paid	**7,476,077**	**2,904,787**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2011 and 2010 were as follows:		
Paid in cash	6,445,601	2,694,686
Satisfied by issue of shares	1,030,476	210,101
	7,476,077	**2,904,787**

(b) Franked credits

The franked portions of the December 2011 quarterly dividend will be franked out of existing franking credits.

	Consolidated 2011 $	Consolidated 2010 $	Parent entity 2011 $	Parent entity 2010 $
Franking credits available for subsequent financial years based on a tax rate of 30%	5,316,961	-	5,316,961	-

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

a) Franking credits that will arise from the payment of the amount of the provision for income tax
b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date, and
c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if the distributable profits of subsidiaries were paid as dividends.

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of G8 Education Limited during the financial year:

(i) ***Chairperson –Independent non-executive***
J J Hutson

(ii) ***Executive Directors***
C J Scott
C G Chapman (resigned 26 August 2011)

(iii) ***Non-executive directors***
B H Bailison
A P S Kemp (from 15 March 2011)
S M Forrester (from 1 November 2011)
M Reynolds (from 1 November 2011)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
C P Sacre	Chief Financial Officer (up to 29 August 2011), Chief Operating Officer (from 29 August 2011) and Company Secretary	G8 Education Ltd
J D Fraser	General Manager – Operations Manager	G8 Education Ltd
M J Crawford	Senior Operations Manager	G8 Education Ltd

(c) Key management personnel compensation

	Consolidated	
	2011	**2010**
	$	**$**
Short term employee benefits	1,076,344	1,435,685
Post employment benefits	73,337	81,844
Share based payments	1,279	835,955
Termination Payments	92,056	42,375
	1,243,016	**2,395,859**

The relevant information on detailed remuneration disclosures can be found in sections A-C of the remuneration report on pages 12-16.

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section D of the remuneration report on pages 16-17.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each director of G8 Education Limited and other key personnel of the Group, including the personally related parties, are set out below.

2011

Name	Balance at start of year	Granted as compensation	Exercised	Expired	Balance at end of the year	Vested and exercisable	Unvested
Other key management personnel of the Group							
C P Sacre**	250,000	-	250,000	-	-	-	-

** The options issued to C P Sacre on 24 November 2008 are disclosed in detail in section D of the remuneration report on pages 16-17.

2010

Name	Balance at start of year	Granted as compensation	Exercised	Expired	Balance at end of the year	Vested and exercisable	Unvested
Other key management personnel of the Group							
C P Sacre**	750,000	-	500,000	-	250,000	-	250,000

** The options issued to C P Sacre on 24 November 2008 are disclosed in detail in section D of the remuneration report on pages 16-17.

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of G8 Education Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting year as compensation.

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2011

Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of G8 Education Limited				
Ordinary Shares				
J J Hutson^	800,000	-	-	800,000
C J Scott^	2,000,000	-	-	2,000,000
C G Chapman*	1,208,333	-	-	1,208,333
B H Bailison	-	-	-	-
A P S Kemp	-	-	90,000	90,000
S M Forrester	-	-	-	-
M Reynolds	-	-	-	-
Other key management personnel of the Group				
Ordinary Shares				
C P Sacre	500,000	250,000	(250,000)	500,000
J D Fraser	3,000	-	-	3,000
M J Crawford	3,000	-	-	3,000

** C G Chapman was a director until his resignation on 26 August 2011.*

2010

Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of G8 Education Limited				
Ordinary Shares				
J J Hutson^	-	-	800,000	800,000
C J Scott^	-	-	2,000,000	2,000,000
C G Chapman	-	-	1,208,333	1,208,333
B H Bailison	-	-	-	-
A G Hartnell AM	10,000	-	(10,000)	-
G J Kern	-	-	-	-
Other key management personnel of the Group				
Ordinary Shares				
C P Sacre	-	500,000	-	500,000
G M Edwards	-	-	121,739	121,739
J D Fraser	13,000	-	(10,000)	3,000
D Tarry	-	-	-	-

^ Shares held by nominee

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

Loans to key management personnel

Details of loans made to directors of G8 Education Ltd and other key management personnel of the group, including their personally related parties, are set out below.

(i) Aggregates for key management personnel

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in group at the end of the year
2011	900,385	46,361	-	838,413	2
2010	-	32,802	-	900,385	2

(ii) Individuals with loans above $100,000 during the financial year

2011 Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
C G Chapman*	422,893	22,481	-	397,041	422,893
C J Scott	477,492	23,880	-	441,372	477,492

2010 Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
C G Chapman	-	14,976	-	422,893	428,676
C J Scott	-	17,826	-	477,492	700,000

*Mr C G Chapman was a director from the beginning of the financial year until his resignation on 26 August 2011.

Loans outstanding at the end of the current year, made to current and prior directors of G8 Education Limited include an unsecured loan to Mr C G Chapman of $428,676 and an unsecured loan to nominees of Mr C J Scott of $700,000 both of which were made for a period of two years and are repayable in full on 27 May 2012. Interest is payable on these loans at the rate of 6% per annum. All dividends paid for the shares issued under the loan agreement are used to repay the loan balance. The loans are full recourse and were issued to align executive interests with shareholders.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to key management personnel.

(e) Other transactions with key management personnel

Details of material transactions and their impact on the financial statements exclusive of GST at year end that key management personnel and their related entities had with the Group during the year are as follows:

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

The following transactions occurred with Mr G J Kern up until 25 September 2010, six months after he ceased to be a director of the Company and the subsidiary companies:

			2011 $	2010 $
Mr G J Kern was a director up until 25 March 2010 and an entity related to him a shareholder of Hutchison Kern Pty Ltd (HK P/L) which had the following transactions:				
a)	paid child care centre management fees to the Group	Revenue Management fees	-	77,220
b)	reimbursed the group for expenses paid on their behalf	Trade and other receivables	-	8,344
Mr G J Kern is a director and an entity related to him Kern Consulting Group which had the following transactions:				
a)	provided consultancy services to the Group	Expense Other Expense	-	20,000

The following transactions occurred with Mr C G Chapman up until 31 December 2011:

			2011 $	2010 $
Mr C G Chapman is a former director (resigned 26 August 2011) who had the following transactions:				
a)	interest charged on share loan agreement	Revenue Interest income	22,481	14,976
b)	loan made to facilitate the purchase of 1,200,000 shares G8 Education Limited shares for a total amount of $420,000 plus accrued interest less repayments	Non-current Receivables	397,041	422,893
c)	share based payment expense for the difference in market price of the shares issued in (b) above compared to loan value	Employment Expenses Equity	-	312,000
d)	issue of 1,200,000 described in (b) above	Equity Contributed Equity	-	732,000

1,200,000 shares were issued to C G Chapman on 27 May 2010 at $0.35. The loan is for a period of 2 years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the 2 year term. All dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.61 and as a result the difference between the agreed price of $0.35 and the price on issue date has been taken to employment expenses and equity as a share based payment.

The following transactions occurred with Mr C J Scott up until 31 December 2011:

			2011 $	2010 $
Mr C J Scott is a director who had the following transactions:				
e)	interest charged on share loan agreement	Revenue Interest income	23,880	17,826

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

			2011 $	2010 $
f)	loan granted to nominee of Mr C J Scott to purchase 2,000,000 shares G8 Education Limited for a total amount of $700,000 plus accrued interest less repayments	Non-current receivables	441,372	477,492
g)	share based payment expense for the difference in market price of the shares issued in (f) above compared to loan value	Employment Expenses Equity	-	520,000
h)	issue of 2,000,000 shares to nominee of Mr C J Scott as described in (f) above	Equity Contributed Equity	-	1,220,000

A loan was granted to issue 2,000,000 shares to Mr C J Scott's nominee on 18 May 2010 at $0.35. The loan issued is for a period of 2 years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the 2 year term. All dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.61 and as a result the difference between the agreed price of $0.35 and the price on issue date has been taken to employment expenses and equity as a share based payment.

(f) The aggregate value of transactions with key management personnel is:

	Consolidated	
	2011 $	2010 $
Revenue		
Interest income	46,361	32,802
Management fees	-	77,220
Expenses		
Other expenses	-	20,000
Employment Expense	-	832,000
Current assets		
Trade and other receivables	-	8,344
Non Current assets		
Receivables	838,413	900,385
Equity		
Contributed equity	-	1,952,000

NOTE 26: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2011	**2010**
	$	**$**
1. Audit services		
HLB Mann Judd		
Audit and review of financial reports – half year	42,620	25,000
Audit and review of financial reports – year end	75,000	54,000
Total Remuneration for audit services	**117,620**	**79,000**

	Consolidated	
	2011	**2010**
	$	**$**
2. Non-audit services		
HLB Mann Judd (SE QLD Partnership/Gold Coast Pty Ltd)		
Advisory services	6,250	12,500
Taxation services	31,535	-
Total remuneration for non-audit services	**37,785**	**12,500**

It is the Group's practice to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judds' expertise and experience with the Group are important. These assignments are principally tax advice, or where HLB Mann Judd is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

NOTE 27: CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2011 in respect of:

a. Australia – The Group is a defendant in proceedings before the A.C.T Supreme Court. The proceedings relate to the decision by the company not to proceed with the purchase of two child care centres in the A.C.T. in 2008. The matter was heard before the Supreme Court of ACT in April 2009.

   The plaintiff is seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold childcare centres which the Group had contracted to purchase. The case has been heard and judgement has been reserved. It is not known when the decision will be handed down.

b. Singapore – The Group is a defendant in proceedings before the High Court of Singapore in regards to the completion of the Business Acquisition Contract. The assignment of the franchise centres are not in dispute by either party and the Group has been receiving the royalty fees from these centres from 1 December 2010.

NOTE 28: COMMITMENTS

(a) Capital commitments

There is no capital expenditure contracted for at the reporting date but not recognised as a liability.

(b) Lease commitments : Group as lessee

(i) Non-cancellable operating leases for premises and vehicles

	Consolidated 2011 $	Consolidated 2010 $
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Payable:		
Within one year	22,859,853	10,080,024
Later than one year but no later than five years	72,681,098	37,480,283
Later than five years	46,290,185	19,464,668
	141,831,136	67,024,975
Representing:		
Non-cancellable operating leases	141,831,136	67,024,975

(ii) Finance Leases

	Consolidated 2011 $	Consolidated 2010 $
Commitments in relation to vehicle finance leases are payable as follows:		
Within one year	46,812	88,151
Later than one year but no later than five years	-	46,812
Minimum lease payments	46,812	134,963
Future finance charges	(2,019)	(8,953)
Total lease liabilities	44,793	126,010
Representing lease liabilities:		
Current	44,793	81,216
Non-current	-	44,794
	44,793	126,010

(c) Interest rate cap fees

Commitments in relation to interest rate cap fees are payable as follows:

	2011 $	2010 $
Within one year	-	99,252
Later than one year but no later than five years	-	-
Minimum payments	-	99,252

NOTE 29: RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key management personnel

For details of transactions that key management personnel and their related entities had with the Group during the year refer note 25 (e) and (f).

(d) Outstanding balance arising from transactions with related parties

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

	Consolidated	
	2011	**2010**
	$	**$**
Current receivables (provision of services)		
Key management personnel	838,413	900,385
Current payables (purchase of goods and services)		
Key management personnel	6,973	4,620

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties. All transactions with related parties during the year were made on normal commercial terms and conditions. Outstanding balances are unsecured and are repayable in cash.

NOTE 30: BUSINESS COMBINATIONS

1. 2011 Business Combinations - AUSTRALIA

Five business combination events occurred in the current period.

The acquisitions have increased the Group's market share and are expected to reduce costs per centre through economies of scale. The goodwill is attributable to the future profitability of the acquired businesses.

(a) On 7 February 2011 the parent entity acquired seven child care centres in New South Wales.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration

	$000
Cash consideration	8,500
Contingent consideration	4,300
Purchase price adjustments	(116)
Total purchase consideration	12,684

NOTE 30: BUSINESS COMBINATIONS (CONTINUED)

Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:	**Fair Value**
	$000
Property plant and equipment	280
Payables	(153)
Employee benefit liabilities	(435)
Net identifiable assets/(liabilities) acquired	(308)
Goodwill	12.992
	12,684

Contingent consideration

The contingent consideration arrangement required the Group to pay the former owners of the 7 centres a deferred cash payment in the event that the centre based EBIT exceeds $2,125,000 for the year ended 31 December 2011. It has been determined that this deferred consideration will not be payable based on the centre EBIT achieved for the year ended 31 December 2011. This amount of $4,298,816 has now been recognised as other income in the consolidated income statement for 2011. Please refer to note 6 – other income.

Acquisition-related costs

Legal and due diligence costs of $18,562 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $10,735,509 and profit before tax of $1,066,391 to the Group for the period 7 February 2011 to 31 December 2011. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2011, had the acquisition settled on 1 January 2011, is unable to be accurately quantified due to unknown seasonality impacts.

(b) On 15 March 2011 the Group acquired 100% of the units in Kindy Patch Unit Trust which owned thirty child care centres; twenty-two in New South Wales and eight in Queensland.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration

	$000
Shares issued	11,940
Contingent consideration	11,940
Cash consideration	9,806
Purchase price adjustments	817
Total purchase consideration	34,503

NOTE 30: BUSINESS COMBINATIONS (CONTINUED)

Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:	**Fair Value**
	$000
Cash and cash equivalents	465
Property plant and equipment	754
Receivables	1,106
Prepayments	238
Payables	(1,811)
Employee benefit liabilities	(1,317)
Net identifiable assets/(liabilities) acquired	(565)
Goodwill	35,068
	34,503

Contingent consideration

Under the agreement for the purchase, the Buyer will cause the issue of 12 million shares in the Group to the Sellers at $0.60 per share subject to the actual centre level EBIT being no less than $4.5m for the 12 months ending 31 December 2011. EBIT will be determined by the Buyer's auditor. In the event that the centre level EBIT is less than $4.5m for the 12 months ending 31 December 2011 then the number of shares issued will be reduced by the equivalent of $4 for each $1 the EBIT falls short of $4.5 million based on the notional share price of $0.60 per share.

For the purposes of accounting for this transaction, in accordance with AASB 3, the final value of the equity issued will be taken up in the Group's accounts at $0.995 per security issued. This was the share price at date of control.

Acquisition-related costs

Legal and due diligence costs of $40,851 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired businesses contributed revenues of $29,216,304 and profit before tax of $5,176,054 to the Group for the period 1 January 2011 to 31 December 2011.

(c) On 10 June 2011 the parent entity acquired six child care centres in New South Wales.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration

	$000
Cash consideration	4,609
Contingent consideration	2,471
Purchase price adjustments	(389)
Total purchase consideration	6,691

NOTE 30: BUSINESS COMBINATIONS (CONTINUED)

Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:	Fair Value $000
Property plant and equipment	240
Payables	(316)
Employee benefit liabilities	(209)
Net identifiable assets/(liabilities) acquired	(285)
Goodwill	6,976
	6,691

Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owners of the 6 centres a deferred cash payment in the event that the centre based EBIT exceeds $1.765m for the 12 months following completion. The deferred payment will be based on four times actual centre EBIT. The deferred consideration is capped at $2.471m. The payment of the contingent consideration is to be paid by the Group on or before 31 August 2012.

Acquisition-related costs

Legal and due diligence costs of $8,759 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $4,378,382 and profit before tax of $924,312 to the Group for the period 10 June 2011 to 31 December 2011. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2011, had the acquisition settled on 1 January 2011, is unable to be accurately quantified due to unknown seasonality impacts.

(d) During the period 10 June 2011 to 21 October 2011 the parent entity acquired four child care centres in Australian Capital Territory and Victoria.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration

	$000
Cash consideration	3,300
Contingent consideration	850
Purchase price adjustments	(250)
Total purchase consideration	3,900

Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:	Fair Value $000
Property plant and equipment	140
Payables	(26.5)
Employee benefit liabilities	(168.5)
Net identifiable assets/(liabilities) acquired	(55)
Goodwill	3,955
	3,900

NOTE 30: BUSINESS COMBINATIONS (CONTINUED)

Acquisition-related costs

Legal and due diligence costs of $14,240 relating to the acquisitions have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $2,859,672 and profit before tax of $684,637 to the Group for the period from settlement to 31 December 2011. Contribution from the acquisitions to both revenue and profit for the year ended 31 December 2011, had the acquisition settled on 1 January 2011, is unable to be accurately quantified due to unknown seasonality impacts.

(e) On 9 December 2011 the parent entity acquired six child care centres in Queensland.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration

	$000
Cash consideration	8,200
Purchase price adjustments	90
Total purchase consideration	8,290

Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:	**Fair Value $000**
Property plant and equipment	120
Payables	(165)
Employee benefit liabilities	(161)
Net identifiable assets/(liabilities) acquired	(206)
Goodwill	8,496
	8,290

Acquisition-related costs

Legal and due diligence costs of $30,778 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $372,131 and loss before tax of $54,725 to the Group for the period 9 December 2011 to 31 December 2011 due to employment entitlements accruals taken up. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2011, had the acquisition settled on 1 January 2011, is unable to be accurately quantified due to unknown seasonality impacts.

NOTE 30: BUSINESS COMBINATIONS (CONTINUED)

2. 2011 Business Combinations - SINGAPORE

(a) During the period 1 July 2011 to 1 September 2011 the Group acquired 6 child care centres in Singapore.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration

	$000
Cash consideration	2,467
Purchase price adjustments	(189)
Total purchase consideration	2,278

Assets and liabilities acquired

The assets and liabilities recognised as a result of the acquisition are as follows:	**Fair Value $000**
Payables	(189)
Net identifiable assets/(liabilities) acquired	(189)
Goodwill	2,467
	2,278

Revenue and profit contribution

The acquired businesses contributed revenues of $1,097,174 and profit before tax of $303,727 to the Group for the period from settlement to 31 December 2011. Contribution from the acquisitions to both revenue and profit for the year ended 31 December 2011, had the acquisition settled on 1 January 2011, is unable to be accurately quantified due to unknown seasonality impacts.

NOTE 31: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 31 December 2011 the parent entity of the Group was G8 Education Limited.

Result of parent entity	2011 $	2010 $
Profit for the year after tax	5,079,948	44,833
Other comprehensive income	-	-
Total comprehensive income for the year	5,079,948	44,833
Financial position of parent entity at year end		
Current assets	29,740,733	32,156,918
Non-current assets	151,322,813	78,165,811
Total assets	181,063,546	110,322,729
Current liabilities	30,770,426	13,816,646
Non-current liabilities	50,281,818	16,427,830
Total liabilities	81,052,244	30,244,476
Total equity of parent entity comprising of:		
Contributed equity	117,829,441	95,461,543
Reserves	-	31,444
Accumulated losses	(17,818,139)	(15,414,734)
Total equity	100,011,302	80,078,253

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The parent entity had contingent liabilities at 31 December 2011 in respect of:

a. Australia – The Group is a defendant in proceedings before the A.C.T Supreme Court. The proceedings relate to the decision by the company not to proceed with the purchase of two child care centres in the A.C.T. in 2008.
The plaintiff is seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold childcare centres which the Group had contracted to purchase. The case has been heard and judgement has been reserved. It is not known when the decision will be handed down.

b. Singapore – The Group is a defendant in proceedings before the High Court of Singapore in regards to the completion of the Business Acquisition Contract. The assignment of the franchise centres are not in dispute by either party and the Group has been receiving the royalty fees from these centres.

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 33.

Loans from subsidiaries

During the year ended 31 December 2011, the parent entity issued and incurred loans from its wholly owned subsidiaries which are interest free and with no fixed terms of repayments. These loans are at call with no defined repayment period.

NOTE 32: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding *	
			2011 %	2010 %
Subsidiaries of Company				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	52	52
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd (Formerly Payce Child Care Pty Limited)	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Limited	Australia	Ordinary	100	100
Bourne Learning Pty Ltd (Formerly Ramsay & Bourne Pty Ltd)	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.1) Pty Limited	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.2) Pty Limited	Australia	Ordinary	100	100
RBL No. 1 Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Licences Pty Limited	Australia	Ordinary	100	100
World Of Learning Pty Limited	Australia	Ordinary	100	100
World Of Learning Acquisitions (No.1) Pty Limited	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Limited	Australia	Ordinary	100	100
World Of Learning Licences Pty Limited	Australia	Ordinary	100	100
G8 KP Pty Ltd	Australia	Ordinary	100	100
G8 Singapore Pte Ltd 201022281N	Singapore	Ordinary	100	100
Cherie Hearts Corporate Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Holdings Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SC Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ YS Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ KK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ TM Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SK Pte Ltd	Singapore	Ordinary	100	100
Our Juniors Schoolhouse @ Punggol Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ Gombak Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors Pte Ltd	Singapore	Ordinary	100	100
Subsidiaries of Togalog Pty Ltd				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	48	48

* The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 33: DEED OF CROSS GUARANTEE

G8 Education Ltd, Grasshoppers Early Learning Centre Pty Ltd, Togalog Pty Ltd, RBWOL Holding Pty Ltd (Formerly Payce Child Care Pty Limited), Ramsay Bourne Holdings Pty Limited, Bourne Learning Pty Ltd (Formerly Ramsay & Bourne Pty Ltd), Ramsay Bourne Acquisitions (No.1) Pty Limited, Ramsay Bourne Acquisitions (No.2) Pty Limited, RBL No. 1 Pty Ltd, Ramsay Bourne Licences Pty Limited, World Of Learning Pty Limited, World Of Learning Acquisitions (No.1) Pty Limited, World Of Learning Acquisitions Pty Limited and World Of Learning Licences Pty Limited, G8 KP Pty Ltd are parties to a deed of cross guarantee under which each company guarantees the debts of the others. By entering into the deed RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statements of comprehensive income

G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd represent a 'closed group' for the purposes of the Class Order. The other parties to the deed of cross guarantee listed above do not require relief from Class Order 98/1418 as they do not meet the threshold to prepare a financial report and directors report. All parties to the deed of cross guarantee (as listed above) are wholly owned subsidiaries of G8 Education Limited and the entire group represent the 'extended closed group'.

Set out below is a consolidated statement of comprehensive income for the year ended 31 December 2011 of the closed group consisting of G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd.

	2011 $	2010 $
Revenue from continuing operations	127,013,977	60,870,383
Other Income	4,949,953	157,126
Expenses		
Employee benefits expense	(77,696,202)	(39,308,512)
Occupancy	(17,200,517)	(7,577,881)
Direct costs of providing services	(9,217,168)	(4,584,751)
Legal fees	(247,872)	(396,618)
Amortisation	(191,671)	(143,775)
Depreciation expense	(1,621,401)	(963,542)
Evaluation costs incurred in respect of potential acquisitions	-	-
Impairment	(547,747)	(425,206)
Insurance	(484,513)	(475,487)
Other Expenses	(2,137,012)	(1,602,151)
Finance costs	(2,187,739)	(1,318,205)
Total expenses	(111,531,843)	(56,796,128)
Profit /(Loss) before income tax	20,432,088	4,231,381
Income tax (expense)/benefit	(5,346,318)	(2,068,592)
Profit / (Loss) for the year	**15,085,770**	**2,162,789**
Other Comprehensive income for the year, net of Tax	-	-
Total Comprehensive income for the year	**15,085,770**	**2,162,789**

NOTE 33: DEED OF CROSS GUARANTEE (CONTINUED)

(b) Balance Sheets

Set out below is a consolidated balance sheet as at 31 December 2011 of the closed group consisting of G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd.

	2011 $	2010 $
Current assets		
Cash and cash equivalents	13,439,307	6,635,751
Trade and other receivables	5,199,634	1,737,950
Other current assets	18,766,660	23,462,610
Assets classified as held for sale	-	50,000
Total current assets	37,405,601	31,886,311
Non-current assets		
Receivables	-	1,000,385
Investments in extended group	7,503,700	3,675,268
Property, plant and equipment	7,374,986	5,691,048
Deferred tax assets	1,882,801	1,352,438
Intangible assets	133,680,518	69,596,425
Total non-current assets	150,442,005	81,315,564
Total assets	**187,847,606**	**113,201,875**
Current liabilities		
Trade and other payables	26,928,756	11,896,354
Borrowings	315,961	1,637,581
Provisions	4,027,484	2,055,648
Current tax liabilities	3,711,626	504,821
Total current liabilities	34,983,827	16,094,404
Non-current liabilities		
Borrowings	36,437,637	13,913,614
Borrowings from extended group	3,067,595	89,127
Provisions	717,909	421,341
Total non-current liabilities	40,223,141	14,424,082
Total liabilities	**75,206,968**	**30,518,486**
Net assets	**112,640,638**	**82,683,389**
Equity		
Contributed equity	117,840,544	95,461,544
Reserves	-	31,444
Accumulated losses	(5,199,906)	(12,809,599)
Total equity	**112,640,638**	**82,683,389**

NOTE 34: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following material matters have taken place subsequent to year end:

- G8 Education Limited announced to the ASX on 15 February 2012 its proposed long term incentive program for Mr Chris Sacre (Chief Operating Officer) and Mr Jae Fraser (General Manager, Operations). The incentive program involves (subject to shareholder approval) the issue of 1,285,714 shares to Mr C Sacre and 857,143 shares to Mr J Fraser. The shares will be issued at $0.70 per share and funded via a full recourse loan from the company.

- G8 Education Limited announced to the ASX the appointment of Mr Damien Peters as Chief Financial Officer of G8 Education Limited with effect from March 2012.

- G8 Education Limited announced to the ASX that it has entered into a new syndicated finance arrangement with the Bank of Western Australia. The facility provides for an overall limit of $56.5m.

NOTE 35: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2011	**2010**
	$	**$**
Profit for the year	17,250,351	3,480,324
Depreciation and amortisation	1,710,630	992,538
Impairment expense	586,718	425,206
Net gain on sale of operations	651,137	(157,126)
Write back of deferred consideration not payable	(4,298,816)	-
Increase in borrowing cost prepayments	332,017	(60,670)
Amortisation of borrowing costs	191,671	143,775
Tax benefit on equity – non cash	314,587	301,174
Option expense – non cash	(24,804)	3,955
Decrease (Increase) in trade and other debtors	(6,806,274)	(1,439,215)
Decrease(Increase) in deferred tax asset	(530,363)	800,997
(Decrease) Increase in trade and other payables	2,381,266	1,767,382
(Decrease) Increase in other provisions	-	56,279
Non-cash employee benefits expense - share based payments	-	1,040,000
Net cash inflows from operating activities	**11,758,120**	**7,354,619**

NOTE 36: EARNINGS PER SHARE

	Consolidated 2011 Cents	Consolidated 2010 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	9.27	3.20
(b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	9.27	3.20
Profit attributable to the ordinary equity holders of the Company	9.27	3.20
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	17,250,351	3,480,324
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	17,250,351	3,480,324

(d) Weighted average number of shares used as the denominator

	Consolidated 2011 Number	Consolidated 2010 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	186,034,545	108,539,855
Adjustments for calculation of diluted earnings per share:		
Options	-	250,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	186,034,545	108,789,855

NOTE 37: SHARE-BASED PAYMENTS

Details of options over ordinary shares in G8 Education Limited provided as remuneration to key management personnel of the Group are set out below. Value of options at grant date is set out below. When exercisable, each option is convertible into one ordinary share of G8 Education Limited. Further information on the options are set out in note 22 and 25 to the financial statements.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting years are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
24 November 2008	1 July 2009	1 July 2010	$0.20	$0.008
24 November 2008	1 July 2010	1 July 2011	$0.20	$0.018
24 November 2008	1 July 2011	1 July 2012	$0.20	$0.027

There were no options granted during the year ended 31 December 2011.

NOTE 37: SHARE BASED PAYMENTS (CONTINUED)

The model inputs for options granted during the year ended 31 December 2008 included:

- options were granted for: No consideration,
- exercise price: $0.20 per share,
- grant date: 24 November 2008
- vesting date: Tranche A - vesting date of 1 July 2009
  Tranche B - vesting date of 1 July 2010
  Tranche C - vesting date of 1 July 2011
- expiry date: Tranche A - expiry date of 1 July 2010
  Tranche B - expiry date of 1 July 2011
  Tranche C - expiry date of 1 July 2012
- expected price volatility of the Company's shares: 60%,
- expected dividend yield: 0.00%,
- risk-free interest rate: Tranche A – 3.20%
  Tranche B – 3.50%
  Tranche C – 3.70%
- escrow year: Nil

Refer to the Directors report Section D on pages 16 and 17 for further details.

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.5 years.

(a) Fair value of options granted

There were no options granted during the year ended 31 December 2011. The assessed fair value at grant date of options during the year ended 31 December 2008 was $12,995.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the year from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-fee interest rate for the term of the option.

(b) Expenses arising from share based transactions

Expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as follows:

	Consolidated 2011 $	Consolidated 2010 $
Options issued under executive option plan	(24,804)	3,955
Share based payment expense on fair value adjustment on shares issued to nominees of Mr C Scott and Mr C Chapman	-	1,040,000

NOTE 38: DISCLOSURE OF THIRD BALANCE SHEET

In accordance with AASB101 the table below discloses the restated balance sheet as at 31 December 2010 and the original 1 January 2010 comparatives. The fair value adjustments as disclosed in Note 22 (b) have no impact on the 1 January 2010 balance sheet. Refer to Note 22 (b) for detailed calculations of the retrospective adjustments.

		Consolidated	
	Notes	Restated 31 December 2010 $	1 January 2010 $
ASSETS			
Current assets			
Cash and cash equivalents	9	8,015,645	172,976
Trade and other receivables	10	1,785,269	1,041,669
Other current assets	11	23,764,923	937,509
Assets classified as held for sale	12	50,000	1,173,250
Total current assets		33,615,837	3,325,404
Non-current assets			
Receivables	13	1,000,385	-
Property plant and equipment	14	6,049,678	3,771,949
Deferred tax assets	15	1,352,439	2,153,436
Intangible assets	16	72,786,538	30,347,611
Total non-current assets		81,189,040	36,272,996
Total assets		**114,804,877**	**39,598,400**
LIABILITIES			
Current liabilities			
Trade and other payables	17	12,290,461	2,641,337
Borrowings	18	1,637,581	2,749,331
Employee Entitlements	19	2,175,473	679,476
Current tax liabilities		501,092	-
Total current liabilities		16,604,607	6,070,144
Non-current liabilities			
Borrowings	20	13,913,614	14,704,210
Provisions	21	443,572	57,947
Total non-current liabilities		14,357,186	14,762,157
Total liabilities		**30,961,793**	**20,832,301**
Net assets		**83,843,084**	**18,766,099**
EQUITY			
Contributed equity	22	95,461,544	30,957,697
Reserves	23	31,444	33,843
Accumulated losses	23	(11,649,904)	(12,225,441)
Total equity		**83,843,084**	**18,766,099**

Directors’ Declaration

In the directors’ opinion:

(a) the financial statements and notes set out on pages 28 to 91 are in accordance with the *Corporations Act 2001,* including:
   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors’ have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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

Jenny Hutson

Jennifer J Hutson
Chairperson

Brisbane
27 February 2012

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditors Report to the Members of

G8 Education Limited

Report on the Financial Report

We have audited the accompanying financial report of G8 Education Limited ("the company"), which comprises the consolidated balance sheet as at 31 December 2011, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements* that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd (SE Qld Partnership) ABN 68 920 406 716
Level 15, 66 Eagle Street, Brisbane QLD 4000 | GPO Box 5225 Brisbane QLD 4001
Telephone +61 (0)7 3001 8800 | Facsimile +61 (0)7 3221 0812 | Email: infobne@hlbqld.com.au | Website: www.hlb.com.au
Level 3, Corporate Centre One, 2 Corporate Court, Bundall QLD 4217 | PO Box 5714 Gold Coast Mail Centre QLD 9726
Telephone +61 (0)7 5574 0922 | Facsimile +61 (0)7 5574 0632 | Email: infogc@hlbqld.com.au

HLB Mann Judd

Independent Auditors Report (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors G8 Education Limited on 23 February 2012, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of G8 Education Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 31 December 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2011 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

Independent Auditors Report (continued)

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of G8 Education Limited for the financial year ended 31 December 2011 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

HLB Mann Judd.

HLB MANN JUDD

C J M King
Partner

Brisbane, Queensland
27 February 2012

AUDITED FINANCIAL STATEMENTS OF G8 EDUCATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

The information in this Appendix III has been extracted and reproduced from the audited financial statements of G8 Education Limited and its subsidiaries for the financial year ended 31 December 2012 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are to those as reproduced from the annual report for the financial year ended 31 December 2012.

Consolidated Income Statement

For the year ended 31 December 2012

		Consolidated	
	Notes	2012 $	2011 $
Revenue from continuing operations	5	**179,026,896**	**137,949,541**
Other income	6	964,480	4,949,953
Expenses			
Employee benefits		(106,310,738)	(82,801,952)
Occupancy		(22,800,067)	(18,390,080)
Direct costs of providing services		(13,542,678)	(9,844,859)
Legal fees		(789,010)	(1,400,507)
Amortisation	7	(473,255)	(191,671)
Depreciation	7	(2,056,760)	(1,710,630)
Impairment	7	(9,103)	(586,718)
Insurance		(537,511)	(511,845)
Other expenses		(4,065,312)	(2,578,309)
Finance costs	7	(2,538,619)	(2,188,401)
Total expenses		(153,123,053)	(120,204,972)
Profit before income tax		**26,868,323**	**22,694,522**
Income tax expense	8	(7,659,713)	(5,444,171)
Profit for the year		**19,208,610**	**17,250,351**
		Cents	**Cents**
Basic earnings per share	37	8.95	9.27
Diluted earnings per share	37	8.94	9.27

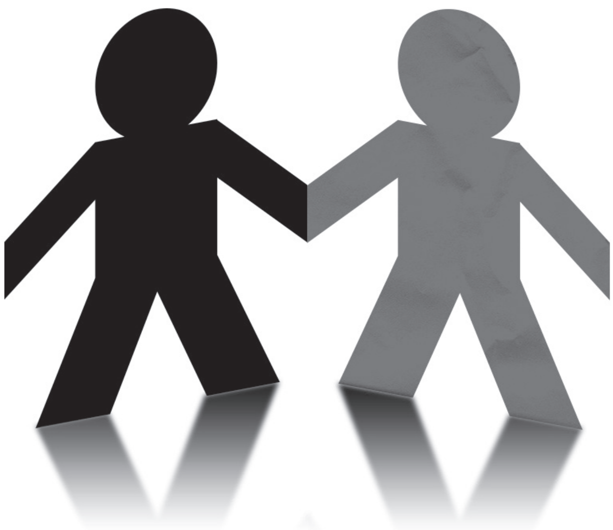
The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2012

		Consolidated	
	Notes	2012 $	2011 $
Profit for the year		19,208,610	17,250,351
Other comprehensive income			
Exchange differences on translation of foreign operations	24	861,563	(789,720)
Effective portion of changes in fair value of cash flow hedges	24	(229,261)	-
Total other comprehensive income		**632,302**	**(789,720)**
Total comprehensive income for the year		**19,840,912**	**16,460,631**

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



Consolidated Balance Sheet

As at 31 December 2012

		Consolidated	
	Notes	2012 $	2011 $
ASSETS			
Current assets			
Cash and cash equivalents	9	21,790,411	14,166,146
Trade and other receivables	10	12,711,378	8,109,984
Other current assets	11	16,749,866	14,259,614
Assets classified as held for sale	12	107,700	-
Total current assets		**51,359,355**	**36,535,744**
Non-current assets			
Receivables	13	1,865,034	-
Property plant and equipment	14	10,646,280	7,975,414
Deferred tax assets	15	3,557,785	1,882,801
Goodwill	16	201,813,688	142,082,894
Total non-current assets		**217,882,787**	**151,941,109**
Total assets		**269,242,142**	**188,476,853**
LIABILITIES			
Current liabilities			
Trade and other payables	17	23,634,060	27,926,195
Borrowings	18	2,720,350	315,961
Employee entitlements	19	7,471,389	4,367,387
Derivative financial instruments	20	327,516	-
Current tax liabilities		5,176,006	3,879,517
Total current liabilities		**39,329,321**	**36,489,060**
Non-current liabilities			
Borrowings	21	46,532,333	36,082,557
Provisions	22	1,072,906	741,145
Total non-current liabilities		47,605,239	36,823,702
Total liabilities		**86,934,560**	**73,312,762**
Net assets		**182,307,582**	**115,164,091**
EQUITY			
Contributed equity	23	180,159,525	117,829,441
Reserves	24	(98,181)	(789,720)
Retained earnings	24	2,246,238	(1,875,630)
Total equity		**182,307,582**	**115,164,091**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2012

	Notes	Contributed equity $	Reserves $	Retained earnings $	Total $
Consolidated					
Balance 1 January 2011		**95,461,544**	**31,444**	**(11,649,904)**	**83,843,084**
Profit for the year		-	-	17,250,351	17,250,351
Other comprehensive income		-	(789,720)	-	(789,720)
Total comprehensive income for the year		**-**	**(789,720)**	**17,250,351**	**16,460,631**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction cost		22,361,257	-	-	22,361,257
Dividends		-	-	(7,476,077)	(7,476,077)
Employee share options expense		-	(24,804)	-	(24,804)
Employee share options exercised		6,640	(6,640)	-	-
		22,367,897	**(31,444)**	**(7,476,077)**	**14,860,376**
Balance 31 December 2011	23,24	**117,829,441**	**(789,720)**	**(1,875,630)**	**115,164,091**
Balance 1 January 2012		**117,829,441**	**(789,720)**	**(1,875,630)**	**115,164,091**
Profit for the year		-	-	19,208,610	19,208,610
Other comprehensive income		-	632,302	-	632,302
Total comprehensive income for the year		**-**	**632,302**	**19,208,610**	**19,840,912**
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction cost		62,330,084	-	-	62,330,084
Dividends provided for or paid		-	-	(15,086,742)	(15,086,742)
Employee share options expense		-	59,237	-	59,237
		62,330,084	**59,237**	**(15,086,742)**	**47,302,579**
Balance 31 December 2012	23,24	**180,159,525**	**(98,181)**	**2,246,238**	**182,307,582**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2012

		Consolidated	
	Notes	2012 $	2011 $
Cash flows from Operating Activities			
Receipts from customers		176,996,788	134,603,005
Payments to suppliers and employees		(147,609,343)	(119,121,673)
Interest received		534,581	543,781
Interest paid		(2,524,181)	(1,986,684)
Income taxes paid		(7,444,298)	(2,280,309)
Net cash in flows from operating activities	36	**19,953,547**	**11,758,120**
Cash flows from Investing Activities			
Payments for purchase of businesses (net of cash acquired)	31	(57,710,158)	(36,153,270)
Repayment of loans by Key Management Personnel		552,090	108,333
Inflows/(Outflows) of funds for term deposits		2,966,558	(1,889,458)
Proceeds from sale of property, plant and equipment		165,291	350,212
Payments for property plant & equipment		(4,770,937)	(2,255,750)
Net cash out flows from investing activities		**(58,797,156)**	**(39,839,933)**
Cash flows from Financing Activities			
Share issue costs		(1,703,187)	(1,048,625)
Dividends paid		(8,077,501)	(6,418,642)
Proceeds from issue of shares		45,938,926	18,956,639
Inflows from borrowings		50,737,286	21,588,960
Repayment of borrowings		(37,503,882)	(735,476)
Net cash inflows from financing activities		**49,391,642**	**32,342,856**
Net increase in cash and cash equivalents		**10,548,033**	**4,261,043**
Cash and cash equivalents at the beginning of the financial year		11,186,148	6,925,105
Effects of exchange rate changes on cash		42,790	-
Cash and cash equivalents at the end of the financial year	9	**21,776,971**	**11,186,148**

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

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

NOTE 1:	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	36
NOTE 2:	FINANCIAL RISK MANAGEMENT	51
NOTE 3:	CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	56
NOTE 4:	SEGMENT INFORMATION	57
NOTE 5:	REVENUE	57
NOTE 6:	OTHER INCOME	58
NOTE 7:	EXPENSES	58
NOTE 8:	INCOME TAX EXPENSE	59
NOTE 9:	CURRENT ASSETS – CASH AND CASH EQUIVALENTS	60
NOTE 10:	CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	61
NOTE 11:	CURRENT ASSETS – OTHER	62
NOTE 12:	CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE	63
NOTE 13:	NON-CURRENT ASSETS – RECEIVABLES	63
NOTE 14:	NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT	64
NOTE 15:	NON-CURRENT ASSETS – DEFERRED TAX ASSETS	66
NOTE 16:	NON-CURRENT ASSETS – INTANGIBLE ASSETS	67
NOTE 17:	CURRENT LIABILITIES – TRADE AND OTHER PAYABLES	68
NOTE 18:	CURRENT LIABILITIES – BORROWINGS	69
NOTE 19:	EMPLOYEE ENTITLEMENTS	69
NOTE 20:	DERIVATIVE FINANCIAL INSTRUMENTS	70
NOTE 21:	NON-CURRENT LIABILITIES – BORROWINGS	71
NOTE 22:	NON-CURRENT LIABILITIES – PROVISIONS	74
NOTE 23:	CONTRIBUTED EQUITY	74
NOTE 24:	RESERVES AND ACCUMULATED LOSSES	76
NOTE 25:	DIVIDENDS	78
NOTE 26:	KEY MANAGEMENT PERSONNEL DISCLOSURES	79
NOTE 27:	REMUNERATION OF AUDITORS	86
NOTE 28:	CONTINGENCIES	87
NOTE 29:	COMMITMENTS	87
NOTE 30:	RELATED PARTY TRANSACTIONS	88
NOTE 31:	BUSINESS COMBINATIONS	89
NOTE 32:	PARENT ENTITY DISCLOSURES	96
NOTE 33:	SUBSIDIARIES	98
NOTE 34:	DEED OF CROSS GUARANTEE	99
NOTE 35:	EVENTS OCCURRING AFTER THE BALANCE SHEET DATE	102
NOTE 36:	RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	102
NOTE 37:	EARNINGS PER SHARE	103
NOTE 38:	SHARE-BASED PAYMENTS	103

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report is for the consolidated entity consisting of G8 Education Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASB), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company is a listed for profit public company, incorporated in Australia and operating in Australia and Singapore. The Company's principal activities are operating child care centres and ownership of franchised child care centres.

The financial statements were authorised for issue on 25 February 2013.

Compliance with IFRS

Compliance with AASB ensures that the financial report of G8 Education Limited and the Group complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of G8 Education Limited ("Company" or "parent entity") as at 31 December 2012 and the results of all subsidiaries for the year then ended.

G8 Education Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries (as stated in note 33) are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been identified as the Board of Director's that makes strategic decisions.

(d) Seasonality

The child care industry has a distinct seasonal pattern. A large group of children leave child care to commence school at the beginning of the year and then revenue increases with new enrolments as the calendar year progresses. Therefore the second half of the year delivers significantly more than half of the annual profit.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is G8 Education Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement or the statement of comprehensive income except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

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

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximations of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

(f) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the service provided have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each.

Revenue is recognised for the major business activities as follows:

a) Child care fees

Fees paid by the Government (Child Care Benefit and Child Care Tax Rebate) or parent fees are recognised as and when a child attends a child care service.

b) Royalty Income

Royalty fees paid by franchisees are recognised in accordance with the franchise agreement and once the operational support service has been performed.

c) Government Funding/Grants

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

d) Deferred income

Revenue received in advance from parents and the Government, is recognised as deferred income and classified as a current liability. This amount is recorded as income when the service has been provided.

e) Interest income

Interest income is recognised using the effective interest method.

(g) 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. Management 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 consolidated 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 Group 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 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 and 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.

(h) Leases

Leases of property, plant and equipment where the Group, 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 statements of comprehensive income 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 Group 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 year of the lease.

(i) 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 Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1 (q)). If the cost of acquisition is less than the Group'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 entity'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.

(j) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated based on the discounted cash flows of the child care centres over the lease period including a terminal value calculation, which is assessed on a segment level.

Goodwill must be assessed for impairment at the lowest level at which management monitors goodwill, however the level cannot be higher than the operating segment level. The Group operates one operating segment and management monitors goodwill at this level. Therefore, goodwill is tested for impairment at the operating segment level.

(k) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables represent child care fees receivable from the Government Child Care Benefit (CCB) and parents.

Under the weekly Child Care Management System (CCMS), implemented in July 2008, CCB is generally paid weekly in arrears based on the actual attendance and entitlement of each child attending the child care centre.

Parent fees are required to be paid one week in advance. Therefore, the parent fees receivable relate to amounts past due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statements of comprehensive income in other expenses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in income statement.

(m) Non current assets (or disposal Groups) held for sale

Non current assets (or disposal Groups) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal Group) to fair value less costs to sell.

Non current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

(n) Investments and other financial assets

Classification

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired and their characteristics. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with settlements greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in the profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Increases in the value of available for sale investments are taken to Other Comprehensive Income.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(l).

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depend on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- Hedges of a particular risk associated with the cash flows of recognised as sets and liabilities and highly probable forecast transactions (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

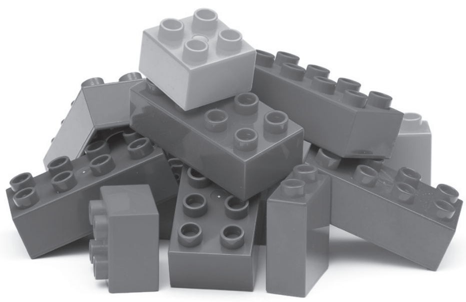
The fair values of derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.



(p) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting year in which they are incurred.

Depreciation for vehicles is calculated using the diminishing value method and on other assets calculated using the straight-line method to allocate their cost net of their residual values, over their estimated lives, as follows:

Buildings	40 years
Vehicles	3 – 12 years
Furniture, fittings and equipment	2–15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

(q) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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 cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Group of cash-generating units that are expected to benefit from the business synergies.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 – 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(s) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are capitalised as a prepayment for borrowing services and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(t) Provisions

Provisions for legal claims, and make-good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measures at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to Key Management Personnel. Information relating to this is set out in note 26.

The fair value of options granted is recognised as a share based payment expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each year takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The Company may issue loans to Key Management Personnel to acquire shares in the Company as part of the remuneration and retention planning of Key Management Personnel. If the market value of the shares on issue date is higher than the value of the shares prescribed in the loan agreement then the difference is expensed to the income statement and corresponding increase in equity.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) New accounting standards and interpretations

Financial Instruments	
PRONOUNCEMENTS	AASB 9 Financial Instruments; AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009); and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures.
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 January 2015.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The adoption of these standards will not change the reported financial position and performance of the entity, however the presentation of items in other comprehensive income will be changed.

PRESENTATION OF OTHER COMPREHENSIVE INCOME	
PRONOUNCEMENTS	AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income.
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Components of OCI are to be Grouped into those that may be reclassified in the future into profit and loss, and those that will not. Where OCI components are disclosed before tax, the total tax for each of the two Groups (classifiable and not reclassifiable) must be shown. Makes consequential amendments to AASBs 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049.
EFFECTIVE DATE	Annual periods beginning on or after 1 July 2012.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The adoption of these standards will not change the reported financial position and performance of the entity, however the presentation of items in other comprehensive income will be changed.

REMOVAL OF KMP DISCLOSURES ABOUT INDIVIDUALS	
PRONOUNCEMENTS	AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124].
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Amends AASB 124 to remove the disclosures required of disclosing entities about individual Key Management Personnel (e.g. components of remuneration). Early adoption is not permitted.
EFFECTIVE DATE	Annual periods beginning on or after 1 July 2013 (i.e. 30 June 2014 year ends).
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The KMP remuneration disclosure note will now show total remuneration only rather than separating the remuneration into components.

CONSOLIDATIONS	
PRONOUNCEMENTS	AASB 10 Consolidated Financial Statements; and AASB 127 Separate Financial Statements (2011).
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Replaces the requirements of AASB 127 in respect of consolidated statements. Provides a new definition of control, based on power over an investee, exposure to returns from the investee and the ability to affect the amount of returns. This is expected to include some special purpose entities previously not consolidated. The AASB is considering an alternative definition for not-for-profit entities, and has therefore prohibited such entities from early adopting this standard.
EFFECTIVE DATE	Annual periods beginning on or after 1 January 2013.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	Following an initial review of the investments held by the entity, no additional entities will be consolidated into the Group.

FAIR VALUE MEASUREMENT	
PRONOUNCEMENTS	AASB 13 Fair Value Measurement AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Replaces the guidance in existing pronouncements to create a single reference point for consistent definitions, application of fair value measurement, and disclosures about fair value. Measurements are classified in a 3 level hierarchy based on the degree of market information into measurement inputs.
EFFECTIVE DATE	Annual periods beginning on or after 1 January 2013.
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The adoption of AASB 13 will result in additional disclosures about the assets and liabilities which are held at fair value.

(aa) Parent entity financial information

The financial information for the parent entity, G8 Education Limited, disclosed in note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of G8 Education Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
G8 Education Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, G8 Education Limited and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, G8 Education Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate G8 Education Limited for any current tax payable assumed and are compensated by G8 Education Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to G8 Education Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall Risk Management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other risks, and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board of Directors. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

The Group holds the following financial instruments:

	Consolidated	
	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	21,790,411	14,166,146
Trade and other receivables	12,711,378	8,109,984
Non-current receivables	1,865,034	-
	36,366,823	**22,276,130**
Financial Liabilities		
Trade and other payables	23,634,060	27,926,195
Borrowings	49,252,683	36,398,518
Derivative financial instruments	327,516	-
	73,214,259	**64,324,713**

(a) Foreign exchange risk

The Group has operations in Singapore and is exposed to foreign exchange risk associated with the Singapore dollar.

Foreign exchange risk arises from future commercial transaction and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The foreign exchange risk is managed through a natural hedge as the cash flows from operations are denominated in Singapore dollars.

No other hedging derivatives were put in place during the year to manage the foreign exchange risk.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Singapore dollars, was as follows:

	Consolidated	
	2012 SGD $	2011 SGD $
Cash and cash equivalents	826,738	738,293
Trade receivables	433,765	220,101
Trade payables	(233,354)	(470,372)
	1,027,149	**488,022**

Sensitivity

As the foreign exchange risk eventuates due to a net investment in a foreign operation any exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment. As a result if the Australian dollar weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, the Group's post tax profit for the year would not change due to any exchange differences being taken to other comprehensive income. Other components of equity would have been $43,078 higher / $43,078 lower (2011 - $39,486 higher/ $39,486 lower) had the Australian dollar weakened/strengthened by 5% against the Singapore dollar.

(b) Interest Rate Risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. During 2012 and 2011, the Group's borrowings at variable rates were denominated in Australian dollars.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	31 December 2012		31 December 2011	
	Weighted avg interest rate %	Balance $	Weighted avg interest rate %	Balance $
Cash Balance	3.30%	21,790,411	2.83%	14,166,146
Bank Loan	5.50%	49,920,000	5.12%	36,437,637
Interest rate swaps (notional principal amount)	5.70%	30,000,000	-	-
Net exposure to cash flow interest rate risk		**(1,870,411)**		**22,271,491**

An analysis by maturities is provided in note 2 (d) below.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Group sensitivity

At 31 December 2012, if interest rates had changed by -0.75%/+ 0.25% absolute from the year end rates with all other variables held constant, post-tax profit for the year would have been $176,188 higher or $58,729 lower respectively (net profit for 2011:$209,182 or $208,865 respectively). Other components of equity would have been $197,804 higher or $603,088 lower respectively (2011 – Nil impact as no interest rate swaps in place) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

(c) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade and other debtors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

Trade debtor credit risk is managed by requiring child care fees to be paid in advance. Outstanding debtor balances are reviewed weekly and followed up in accordance with the Company's debt collection policy. Credit risk is also minimised by federal government funding in the form of child care benefits, as they are considered to be a high quality debtor.

	Consolidated	
	2012 $	2011 $
Trade receivables		
Counterparties with external credit rating		
AAA	2,105,443	1,279,034
Counterparties without external credit rating		
Receivables (current and non-current)	12,470,970	6,830,950
Total receivables	**14,576,413**	**8,109,984**
Cash at bank and short term deposits		
Counterparties with external credit rating - AA	21,790,411	14,166,146

Analysis of the ageing of receivables is performed in note 10.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Details of financing arrangements are disclosed in note 21.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining term at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	Consolidated 2012 $					
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Total contractual cash flows	Carrying Amount
Non Derivative						
Bank loan	1,510,250	1,551,814	3,232,928	50,368,746	56,663,738	49,920,000
Equipment loans	6,849	7,084	14,906	49,671	78,510	67,002
Deferred centre acquisition	800,000	950,000	400,000	-	2,150,000	2,150,000
Trade and other payables	21,484,060	-	-	-	21,484,060	21,484,060
Derivatives						
Net settled (interest rate swaps)	-	-	-	327,516	327,516	327,516

The bank loan facility has an expiry of 23 February 2015. Debt covenants are in place over this facility which were met as at 31 December 2012, and are forecast to be met throughout 2013.

Contractual maturities of financial liabilities	Consolidated 2011 $				
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	Carrying Amount
Non Derivative					
Bank loan	-	-	-	36,437,637	36,437,637
Other loans	211,677	74,833	-	-	286,510
Equipment loans	10,480	18,971	-	-	29,451
Deferred centre acquisition	11,940,000	3,311,000	-	-	15,251,000
Trade and other payables	11,499,455	1,175,740	-	-	12,675,195

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2012 and 31 December 2011:

At 31 December 2012	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging	-	327,516	-	327,516

At 31 December 2011	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging	-	-	-	-

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves;
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Deferred contingent consideration on acquisition of business

The Group includes the fair value of deferred contingent consideration as a liability for the acquisition of a business where it expects the earn-out target to be met during the measurement period. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement.

(iii) Contingent liability

a. Australia – The Group is a defendant in proceedings before the A.C.T Supreme Court. The proceedings relate to the decision by the Company not to proceed with the purchase of two child care centres in the A.C.T. in 2008. The plaintiff is seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold child care centres which the Group had contracted to purchase. The case was heard in April 2009 and judgement has been reserved. It is not known when the decision will be handed down.

b. Singapore - In 2010, G8 Education entered into a Business Acquisition Contract (BAC) with Cherie Hearts Group International (CHGI), Sam Yap and Gurchran Singh as a means to acquire the majority of the Singapore assets of CHGI and its subsidiary companies. Litigation arose therefrom and the disputed matters were heard in the High Court of Singapore in 2011. Prakash J ruled in favour of G8 Education in April 2012 and ordered specific performance of the BAC. CHGI appealed the matter. The Court of Appeal also ruled in favour of G8 Education. Financial close of the BAC was still pending as at 31 December 2012. The CHGI receivable disclosed in Note 10 is the sum of interest due to G8 Education on the outstanding CHGI loan account balance plus unreimbursed monies outlaid on behalf of CHGI in running the relevant child care centres. G8 Education was managing the centres on behalf of CHGI at the direction of the Court. Acquisition accounting cannot be completed as at 31 December 2012 because financial close with respect to the BAC had not occured.

NOTE 4: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business as one Group of centres and has therefore identified one operating segment, being management of child care centres. The following information is in respect of that segment.

All revenue in this report was derived from external customers and relates to the single operating segment.

The total profit represents the segment profit and all balance sheet items relate to the single operating segment.

The segment disclosure has altered from the last Annual Report on the basis that the Singapore operations do not meet the quantitative threshold required by AASB 8 and the Directors have concluded that this segment is not required to be disclosured separately as it is anticipated that in the future Singapore operations will be a diminishing contributor to the consolidated revenue and profit due to the anticipated growth in the Australian operations in comparison to the growth of the Singapore operations.

NOTE 5: REVENUE

	Consolidated	
	2012 $	2011 $
From continuing operations		
Sales revenue		
Revenue from child care centres	174,807,526	134,156,609
Other revenue		
Royalties	1,851,109	1,890,772
Interest *	2,368,261	1,902,160
Total revenue from operations	**179,026,896**	**137,949,541**

**Includes interest earned from loans to Key Management Personnel as disclosed in note 26.*

NOTE 6: OTHER INCOME

		Consolidated	
		2012 $	2011 $
Net gain on disposal of assets		10,076	651,137
Deferred consideration not payable	(a)	954,404	4,298,816
		964,480	**4,949,953**

(a) Deferred consideration not payable

The deferred consideration is not payable due to certain centres not achieving the earn-out EBIT hurdle for the earn-out period. As a result, in accordance with AASB 3 business combinations, the earn-out amount which was disclosed as a liability in deferred consideration has been written back to the Consolidated Income Statement.

NOTE 7: EXPENSES

	Consolidated	
	2012 $	2011 $
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	37,500	37,500
Vehicles	37,556	142,976
Furniture, fittings and equipment	1,981,704	1,530,154
Total Depreciation	**2,056,760**	**1,710,630**
Finance Costs		
Interest and finance charges paid/payable	2,538,619	2,188,401
Rental expenses relating to operating leases		
Minimum lease payments	20,589,365	16,599,491
Amortisation		
Facility fees	473,255	191,671
Impairment		
Intangible assets and plant and equipment	9,103	586,718
Bad & doubtful debts	251,267	130,561

NOTE 8: INCOME TAX EXPENSE

	Consolidated	
	2012 $	2011 $
(a) Income tax expense		
Current tax	8,725,486	5,659,946
Deferred tax	(1,065,773)	(215,775)
Income tax expense	**7,659,713**	**5,444,171**
Income tax expense is attributable to:		
Profit from continuing operations	7,659,713	5,444,171
	7,659,713	**5,444,171**
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets (refer note 15)	(1,065,773)	(215,775)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	26,868,323	22,694,522
Tax on operations at the Australian tax rate of 30% (2011:30%)	8,060,497	6,808,357
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	45,378	27,082
Other	150	355
Net gain on disposals	(48,652)	(195,341)
Impairment	-	176,015
Share based payment reserve adjustment	-	(7,825)
Deferred consideration not payable	(286,321)	(1,289,645)
Business acquisition costs	210,841	-
Share issue adjustment	75,052	-
Difference in overseas tax rates	(397,232)	(74,827)
Income tax expense	**7,659,713**	**5,444,171**
Weighted average tax rate*	29%	24%
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity	609,211	314,587
(d) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	(98,255)	-

** The increase in weighted average tax rate from 2011 to 2012 is a result of a reduction in the tax effect of the deferred consideration not payable in 2012 compared to 2011.*

NOTE 9: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $	2011 $
Cash at bank and in hand	21,776,971	5,022,889
Deposits at call*	13,440	9,143,257
	21,790,411	**14,166,146**

**The effective average interest rate for the deposits at call was 3.71%. Included above is $13,440 used as security against the Company's bank guarantee facility (2011 - $2,979,998) as such this cash balance cannot currently be used for operating activties.*

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2012 $	2011 $
Balance as per note 9	21,790,411	14,166,146
Term deposits held as security against bank guarantees	(13,440)	(2,979,998)
Balance as per Statement of Cash Flows	**21,776,971**	**11,186,148**

(b) Risk Exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $	2011 $
Trade and other receivables		
Trade receivables	4,571,381	3,069,061
Allowance for impairment of receivables (note (a) below)	(148,155)	(25,205)
	4,423,226	**3,043,856**
CHGI debtor*	7,163,079	2,542,610
GST Receivable	352,590	261,219
Other debtors	772,483	1,423,886
Loans to Key Management Personnel**	-	838,413
Total trade and other receivables	**12,711,378**	**8,109,984**

** See note 3 (iii) b.*

*** See note 30 (d).*

(a) Impaired trade receivables

As at 31 December 2012 current trade receivables of the Group with a nominal value of $296,310 (2011 - $50,409) were assessed for impairment. The amount of the allowance for impairment was $148,155 (2011 - $25,205).

The ageing of these receivables is as follows:

	Consolidated	
	2012 $	2011 $
Up to 3 months	296,310	50,409
	296,310	**50,409**

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

	Consolidated	
	2012 $	2011 $
Opening balance	25,205	71,418
Allowance for impairment recognised during the year	251,267	130,561
Receivables written off during the year as uncollectable	(128,317)	(176,774)
Closing balance	**148,155**	**25,205**

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

(b) Past due but not impaired

As at 31 December 2012, trade receivables of $2,486,665 (2011 - $1,719,383) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2012 $	2011 $
Up to 3 months	2,356,356	1,676,007
3 to 6 months	42,263	43,376
Over 6 months	88,046	-
	2,486,665	**1,719,383**

The amount past due but not impaired in 2012 is greater than that of 2011 due to the increased number of centres in the Group at year end compared to the prior year.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

Information concerning the credit risk of receivables is set out in note 2.

NOTE 11: CURRENT ASSETS - OTHER

	Consolidated	
	2012 $	2011 $
Other current assets		
Prepayments	2,610,668	1,569,093
Deposits	1,636,779	574,306
Deposits on acquisitions	12,502,419	12,116,215
Total other current assets	**16,749,866**	**14,259,614**

(a) Deposits on acquisitions – Cherie Hearts

As announced on 28 October 2010 the Company entered into a contract to purchase the assets of Cherie Hearts International Group ("CHGI"). The total purchase price is $19.23 million. As at 31 December 2012, $12,502,419 has been paid and is accounted for as a deposit.

In 2010, G8 Education entered into a Business Acquisition Contract (BAC) with Cherie Hearts Group International (CHGI), Sam Yap and Gurchran Singh as a means to acquire the majority of the Singapore assets of CHGI and its subsidiary companies. Litigation arose therefrom and the disputed matters were heard in the High Court of Singapore in 2011. Prakash J ruled in favour of G8 Education in April 2012 and ordered specific performance of the BAC. CHGI appealed the matter. The Court of Appeal also ruled in favour of G8 Educaiton. Financial close of the BAC was still pending as at 31 December 2012.

NOTE 12: CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated	
	2012 $	2011 $
Current assets classified as held for sale		
Property, plant & equipment	55,852	-
Goodwill	51,848	-
Total Assets classified as held for sale	**107,700**	**-**

In December 2012 the Directors of G8 Education Limited decided to sell three under performing child care centres. There are several interested parties and the sale is expected to occur by June 2013.

NOTE 13: NON-CURRENT ASSETS – RECEIVABLES

	Consolidated	
	2012 $	2011 $
Loans to Key Management Personnel	1,865,034	-
	1,865,034	**-**

Further information relating to loans to Key Management Personnel is set out in note 26.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2012		2011	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Loans to nominees of Key Management Personnel	1,865,034	1,865,034	-	-
	1,865,034	**1,865,034**	-	-

(c) Risk exposure

Information about the Group's exposure to credit risk and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of receivables.

NOTE 14: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Buildings $	Vehicles $	Furniture,fittings and equipment $	Total $
Year ended 31 December 2012				
Opening net book amount	1,348,239	283,955	6,343,220	7,975,414
Additions through business combinations	-	173,264	300,000	473,264
Additions - other	-	322,715	4,001,912	4,324,627
Assets included in a disposal group classified as held for sale and other disposals	-	-	(80,430)	(80,430)
Depreciation charge	(37,500)	(37,556)	(1,981,704)	(2,056,760)
Exchange differences	-	-	10,165	10,165
Closing net book amount	**1,310,739**	**742,378**	**8,593,163**	**10,646,280**
At 31 December 2012				
Cost	1,500,001	1,127,248	13,983,847	16,611,096
Accumulated depreciation	(189,262)	(384,870)	(5,390,684)	(5,964,816)
Net book amount	**1,310,739**	**742,378**	**8,593,163**	**10,646,280**

Consolidated	Buildings $	Vehicles $	Furniture,fittings and equipment $	Total $
Year ended 31 December 2011				
Opening net book amount	1,385,739	339,784	4,324,155	6,049,678
Additions through business combinations	-	33,797	1,507,167	1,540,964
Additions - other	-	85,559	2,137,481	2,223,040
Assets included in a disposal group classified as held for sale and other disposals	-	(32,209)	(95,429)	(127,638)
Depreciation charge	(37,500)	(142,976)	(1,530,154)	(1,710,630)
Closing net book amount	**1,348,239**	**283,955**	**6,343,220**	**7,975,414**
At 31 December 2011				
Cost	1,500,001	631,269	9,752,200	11,883,470
Accumulated depreciation	(151,762)	(347,314)	(3,408,980)	(3,908,056)
Net book amount	**1,348,239**	**283,955**	**6,343,220**	**7,975,414**

(a) Leasehold Improvements

Furniture, fittings and equipment includes the following amounts that are leasehold improvements:

	Consolidated	
	2012 $	2011 $
Cost	5,737,599	3,903,251
Accumulated depreciation	(1,744,429)	(1,094,943)
Net book amount	**3,993,170**	**2,808,308**

(b) Leased assets

Vehicles and furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2012 $	2011 $
Cost	73,717	217,969
Accumulated depreciation	(3,926)	(117,963)
Net book amount	**69,791**	**100,006**

(c) Non-current assets pledged as security

Refer to note 21(b) for information on the non-current assets pledged as security by the Company and its controlled entities.

NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

Deferred Tax Asset	Consolidated	
	2012 $	2011 $
The balance comprises temporary differences attributable to:		
Employee benefits	2,398,184	1,504,104
Cash flow hedging	98,255	-
Share issue transaction costs	779,563	626,081
	3,276,002	**2,130,185**
Other		
Doubtful debts	44,446	7,561
Accrued expenses	713,715	162,326
Sub total other	758,161	169,887
Total deferred tax assets	**4,034,163**	**2,300,072**
Deferred tax assets to be recovered within 12 months	2,961,257	1,570,655
Deferred tax assets to be recovered after more than 12 months	1,072,906	729,417
	4,034,163	**2,300,072**
Deferred Tax Liability		
Prepayments	(476,378)	(417,271)
Total deferred tax liability	(476,378)	(417,271)
Net Deferred Tax Asset	**3,557,785**	**1,882,801**

Movements	Consolidated				
	Tax Losses $	Employee benefits $	Share Issue Transaction Costs $	Other $	Total $
At 1 January 2011	**-**	**785,713**	**663,964**	**(97,238)**	**1,352,439**
Charged to the Consolidated Income Statement	-	718,391	(352,471)	(150,145)	215,775
Charged directly to equity	-	-	314,587	-	314,587
At 31 December 2011	**-**	**1,504,104**	**626,080**	**(247,383)**	**1,882,801**
Charged to the Consolidated Income Statement	-	894,079	(357,473)	529,167	1,065,773
Charged directly to equity	-	-	510,956	98,255	609,211
At 31 December 2012	**-**	**2,398,183**	**779,563**	**380,039**	**3,557,785**

NOTE 16: NON-CURRENT ASSETS – INTANGIBLE ASSETS

	Consolidated	
Goodwill	2012 $	2011 $
Year ended 31 December		
Opening net book amount	142,082,894	72,786,538
Additions	59,564,858	70,094,169
Adjustment in respect of prior year acquisition	266,008	-
Disposals	(201,848)	(211,095)
Exchange differences	101,776	-
Impairment charge	-	(586,718)
Closing net book amount	**201,813,688**	**142,082,894**
At 31 December		
Cost	212,865,612	153,134,818
Accumulated impairment	(11,051,924)	(11,051,924)
Net book amount	**201,813,688**	**142,082,894**

(a) Impairment tests for goodwill

Goodwill is tested for impairment on an operating segment level as outlined in note 1(j). The recoverable amount of the child care centre assets in the segment is determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts for 2013 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the segment operates.

(b) Key assumptions used for value-in-use calculation

The value in use calculation is based on forecast EBITDA which is a function of occupancy, child care fees and centre expenses. Occupancy and child care fees are based on the current market conditions plus anticipated annual increases. Centre expenses include the following key items:

- Centre wages – based on industry award standards and forecast to increase by a CPI index annually;
- Centre occupancy expenses – based on current operating leases and increased by a CPI index annually; and
- Other child care expenses – driven by historical expenditure and future occupancy growth.

The anticipated occupancy reflects seasonal factors and underlying growth in occupancy achieved from the implementation of the Group's strategies. Economic occupancy levels represent the key to financial success for G8 Education Limited given the largely fixed cost-base of child care centres.

The impairment model has the following key attributes;

- No centre EBITDA growth until the end of lease and option years;
- Pre-tax discount rate of 13% (WACC);
- Full head office costs allocated to each cash generating unit based on centre licence capacity to the consolidated Group;
- Assumed additional expenditure of $15,000 per centre per annum to maintain assets in their current state; and
- Terminal growth calculation with a growth rate of 2%.

(c) Impairment charge

As a result of the value in use calculations described above it was determined that no impairment was required to be recognised.

AASB 136 Impairment of assets requires the Group to recognise an impairment loss if the recoverable amount of an asset is less than its carrying amount.

Sensitivity Analysis on Impairment calculations as at 31 December	Profit Impact 2012 $'000
Movement in WACC (+ 5%)	-
Movement in WACC (-5%)	-
Movement in EBITDA (+ 5%)	-
Movement in EBITDA (- 5%)	-

NOTE 17: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated	
	2012 $	2011 $
Trade payables	4,516,617	2,230,444
Deferred centre acquisitions	2,150,000	15,251,000
Dividends payable	4,920,972	1,874,185
Centre enrolment advances	3,111,991	2,351,479
Other payables and accruals	4,825,428	3,693,832
Income received in advance	4,109,052	2,525,255
	23,634,060	**27,926,195**

NOTE 18: CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2012 $	2011 $
Secured		
Bank loan	2,720,350	15,342
Equipment loans	-	29,451
Other loans	-	271,168
Total current borrowings	**2,720,350**	**315,961**

(a) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2(a).

(b) Fair value disclosures

Details of the fair value of borrowings for the Group are set out in note 21(e).

NOTE 19: EMPLOYEE ENTITLEMENTS

	Consolidated	
	2012 $	2011 $
Employee benefits	7,471,389	4,367,387
	7,471,389	**4,367,387**

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2012 $	2011 $
Leave obligations expected to be settled after 12 months	747,139	436,739
	747,139	**436,739**

NOTE 20: DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2012 $	2011 $
Non-Current Liability		
Interest rate swap contracts – cash flow hedges (a)	327,516	-
Total non-current derivative financial instrument liability	**327,516**	**-**

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently bear an average variable interest rate of 5.50%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into an interest rate swap contract under which it is obligated to receive interest at variable rates and to pay interest at fixed rates.

The swap currently in place cover approximately 60% (2011 – Nil) of the variable loan principal outstanding. The fixed interest rates are 5.7% (2011 – Nil) and the variable rates are 2.3% above the 90 day bank bill rate which at the end of the reporting period was 3.21%.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from remeasuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the profit or loss when the hedged interest expense is recognised. In the year ended 31 December 2012 no amount was reclassified into the profit or loss (2011 :Nil). There was no hedge ineffectiveness in the current or prior year.

NOTE 21: NON-CURRENT LIABILITIES – BORROWINGS

	Consolidated	
	2012 $	2011 $
Secured		
Bank loan	46,532,333	36,082,557
Total secured non-current borrowings	**46,532,333**	**36,082,557**
Total non-current borrowings	**46,532,333**	**36,082,557**

(a) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2012 $	2011 $
Bank loan	49,252,683	36,097,898
Equipment	-	29,451
Other loans	-	271,168
Total secured liabilities	**49,252,683**	**36,398,517**

A portion of the bank loan amount disclosed above is classified as non-current due to the following;

- Facility agreement was signed on 23 February 2012 and is in place for a three year term;
- No annual review clauses of debt facility are in the facility agreement;
- The Group has met all covenants as at 31 December 2012 and forecast to meet the covenants over the facility term; and
- In the opinion of the Directors no material adverse events have occurred that would cause the debt facility to be reviewed.

(b) Assets pledged as security

The debt facility of the Group is secured by:

- A fixed and floating charge over all the assets of the Company and its subsidiaries;
- First ranking registered mortgages over all leasehold property owned by the Group;
- An unlimited guarantee in favour of the Company from its subsidiaries; and
- A right of entry in relation to certain leased premises.

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

		Consolidated	
	Notes	2012 $	2011 $
Current			
First mortgage			
Current assets classified as held for sale	12	107,700	-
Floating charge			
Cash and cash equivalents	9	21,790,411	14,166,146
Trade and other receivables	10	12,711,378	8,109,984
Other current assets	11	16,749,866	14,259,614
Total current assets pledged as security		**51,359,355**	**36,535,744**
Non-current			
First mortgage			
Buildings	14	1,310,739	1,348,239
Floating charge			
Vehicles, plant and equipment	14	9,335,541	6,627,175
Other receivables	13	1,865,034	-
Total non-current assets pledged as security		**12,511,314**	**7,975,414**
Total assets pledged as security		**63,870,669**	**44,511,158**

(c) Financing arrangements

As at 31 December 2012 the following lines of credit were in place:

	Consolidated	
	2012 $	2011 $
Credit standby arrangements		
Total facilities		
Credit cards	250,000	170,000
Asset finance-leasing	250,000	200,000
	500,000	**370,000**
Used at balance date		
Credit cards	54,086	91,401
Asset finance-leasing	66,769	44,153
	120,855	**135,554**

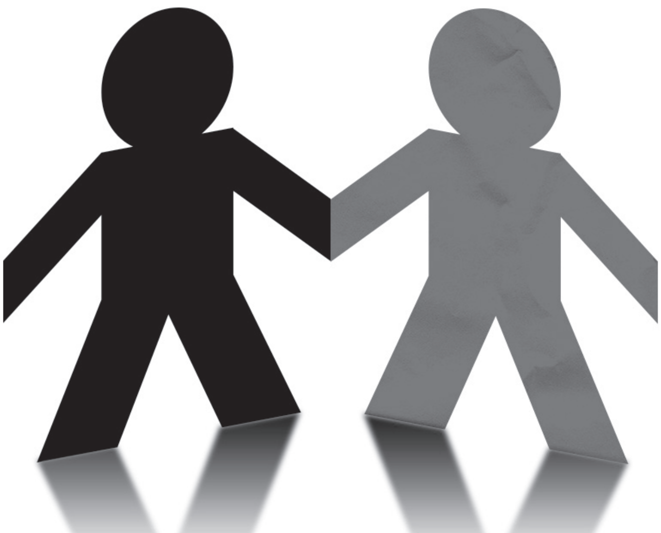
	Consolidated	
	2012 $	2011 $
Unused at balance date		
Credit cards	195,914	78,599
Asset finance-leasing	183,231	155,847
	379,145	**234,446**
Bank loan facilities		
Total facilities	50,000,000	50,000,000
Used at balance date	(49,920,000)	(36,680,000)
Unused at balance date	**80,000**	**13,320,000**
Bank Guarantee facilities		
Total Facilities	6,826,000	5,700,000
Used at Balance date	(6,734,719)	(4,976,136)
Unused at balance date	**91,281**	**723,864**

(d) Interest rate risk exposure

Information about the Group's exposure to interest rate changes is provided in note 2.

(e) Fair value

The carrying amounts and fair values of borrowings at balance dates are as reflected in the Balance Sheet.



NOTE 22: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2012 $	2011 $
Employee benefits	1,072,906	741,145
	1,072,906	**741,145**

NOTE 23: CONTRIBUTED EQUITY

(a) Share capital

	Consolidated		Consolidated	
	2012 Shares	2011 Shares	2012 $	2011 $
Ordinary shares fully paid	246,048,593	187,418,479	180,159,525	117,829,441

(b) Movements in ordinary share capital

Details	Number of Shares	$
31 December 2010 Balance	**162,304,537**	**95,461,544**
Shares issued to vendors during the year	2,850,000	3,339,000
Exercise of options by Key Management Personnel	250,000	50,000
Share placement to institutions and professional investors	21,000,000	18,900,000
Dividend reinvestment plan	1,013,942	806,294
Transaction costs of shares issued	-	(734,037)
Transfer of option reserve for options exercised in 2011	-	6,640
31 December 2011 Balance	**187,418,479**	**117,829,441**
Share placement to institutions and professional investors	30,790,000	35,408,500
Share Purchase Plan to retail investors	9,156,885	10,530,426
Shares issued to vendors during the year	12,000,000	11,930,000
Shares issued to Key Management Personnel	2,142,857	1,690,937
Dividend reinvestment plan	4,540,372	3,962,453
Transaction costs of shares issued	-	(1,192,231)
31 December 2012 Balance	**246,048,593**	**180,159,525**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Options

Information relating to the options issued, exercised and lapsed during the year and options outstanding at the end of the financial year are as disclosed in note 26.

(e) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares. Shares are issued under the plan. The Company advises the market at the time of announcing the dividend if there will be a discount applied to the market price.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2012 were as follows:

		Consolidated	
	Notes	2012 $	2011 $
Total borrowings	17,18,20,21	78,390,265	68,204,230
Less: cash and cash equivalents	9	(21,790,411)	(14,166,146)
Net debt		56,599,854	54,038,084
Total equity		182,307,582	115,164,091
Total capital		**238,907,436**	**169,202,175**
Gearing ratio		**24%**	**32%**
Adjusted Gearing ratio*		**24%**	**25%**

The Directors assess gearing based on a leverage rate of less than 40% calculated on total bank debt divided by total goodwill.
**The adjusted gearing ratio disclosed in 2011 above decreases total borrowings by $11.94m and increases total equity by the same amount. The $11.94m represents the deferred consideration for the Kindy Patch acquisition which was settled via the issue of G8 Education Ltd shares and not cash settled. The shares were issued in February 2012.*

G8 Education Limited has complied with the financial covenants of its borrowing facilities during the 2012 and 2011 reporting periods.

NOTE 24: RESERVES AND ACCUMULATED LOSSES

	Consolidated	
	2012 $	2011 $
(a) Reserves		
Share-based payments	59,237	-
Foreign currency translation	71,843	(789,720)
Cash flow hedges	(229,261)	-
Total Reserves	**(98,181)**	**(789,720)**
Movements		
Share-based payments		
Opening balance	-	31,444
Employee share options exercised	-	(6,640)
Employee share option expense	59,237	(24,804)
Closing balance	**59,237**	**-**
Foreign currency translation		
Opening balance	(789,720)	-
Currency translation differences arising during the year	861,563	(789,720)
Closing balance	**71,843**	**(789,720)**
Cash flow hedges		
Opening balance	-	-
Revaluation –gross	(327,516)	-
Deferred tax	98,255	-
Closing balance	**(229,261)**	**-**

	Consolidated	
	2012 $	2011 $
(b) Retained earnings movements	**2,246,238**	**(1,875,630)**
Opening balance	(1,875,630)	(11,649,904)
Profit for the year	19,208,610	17,250,351
Dividends	(15,086,742)	(7,476,077)
Closing balance	**2,246,238**	**(1,875,630)**

(c) Nature and purpose of reserves

(i) Share-based payments
The share-based payments reserve is used to recognise the expensing of the grant date fair value of options issued to employees but not exercised;

(ii) Foreign currency translation
Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iii) Cash flow hedges
The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedges that are recognised in other comprehensive income, as described in note 1(o). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

NOTE 25: DIVIDENDS

(a) Ordinary Shares

	2012 $	2011 $
Dividend for the quarter ended 31 March 2012 of 1.5 cent per share (2011: 1 cent per share) paid on 12 April 2012 (2011: Paid on 11 April 2011)	3,003,136	1,863,837
Dividend for the quarter ended 30 June 2012 of 1.5 cent per share (2011: 1 cent per share) paid on 9 July 2012 (2011: Paid on 11 July 2011)	3,056,555	1,866,865
Dividend for the quarter ended 30 September 2012 of 2.0 cent per share (2011: 1 cent per share) paid on 9 October 2012 (2011: Paid on 10 October 2011)	4,106,079	1,871,190
Dividend for the quarter ended 31 December 2012 of 2.0 cent per share (2011: 1 cent per share) paid on 11 January 2013 (2011: Paid 16 January 2012)	4,920,972	1,874,185
Total dividends provided for or paid	**15,086,742**	**7,476,077**
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2012 and 2011 were as follows:		
Paid in cash	10,406,334	6,445,601
Satisfied by issue of shares	4,680,408	1,030,476
	15,086,742	**7,476,077**

(b) Franked credits

The franked portions of the December 2012 quarterly dividend will be franked out of existing franking credits.

	Consolidated		Parent entity	
	2012 $	2011 $	2012 $	2011 $
Franking credits available for subsequent financial years based on a tax rate of 30%	7,406,250	5,316,961	7,406,250	5,316,961

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

a) Franking credits that will arise from the payment of the amount of the provision for income tax;
b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if the distributable profits of subsidiaries were paid as dividends.

NOTE 26: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of G8 Education Limited during the financial year:

(i) Chairperson –Independent non-executive

J J Hutson

(ii) Executive Directors

C J Scott

(iii) Non-executive directors

B H Bailison
A P S Kemp
S M Forrester
M Reynolds

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
K R Lacey	Chief Executive Officer (resigned 16 January 2013)	G8 Education
C P Sacre	Chief Operating and Financial Officer and Company Secretary	G8 Education
D T Peters	Chief Financial Officer (resigned 27 September 2012)	G8 Education
J D Fraser	General Manager – Operations	G8 Education

(c) Key Management Personnel compensation

	Consolidated	
	2012 $	2011 $
Short term employee benefits	1,258,799	1,076,344
Post employment benefits	80,407	73,337
Share based payments	250,174	1,279
Termination payments	61,191	92,056
	1,650,571	1,243,016

The relevant information on detailed remuneration disclosures can be found in sections A-C of the Remuneration Report on pages 13-16.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section D of the Remuneration Report on pages 16-17.

(ii) Option holdings
The number of options over ordinary shares in the Company held during the financial year by each Director of G8 Education and other key personnel of the Group, including their associates, are set out in the following table:

2012

Other Key Management Personnel of the Group

Name	Balance at start of year	Granted as compensation	Exercised	Expired	Balance at end of the year	Vested and exercisable	Unvested
K R Lacey (resigned 16 January 2013)*	-	400,000	-	-	400,000	-	-

** The options issued to K R Lacey on 27 September 2012 are disclosed in detail in section D of the Remuneration Report on pages 16-17. 200,000 options were forfeited post year end at the time of the resignation of K R Lacey on 16 January 2013. The first tranche of 200,000 options are still held by K R Lacey and able to be exercised.*

2011

Other Key Management Personnel of the Group

Name	Balance at start of year	Granted as compensation	Exercised	Expired	Balance at end of the year	Vested and exercisable	Unvested
C P Sacre	250,000	-	250,000	-	-	-	-

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below. There were no shares issued during the reporting year as compensation.

2012

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J J Hutson^	800,000	-	-	800,000
C J Scott^	2,000,000	-	-	2,000,000
B H Bailison	-	-	-	-
A P S Kemp	90,000	-	13,043	103,043
S M Forrester	-	-	-	-
M Reynolds	-	-	14,695	14,695
Other Key Management Personnel of the Group				
Ordinary Shares				
K R Lacey#	-	-	-	-
C P Sacre^**	500,000	-	785,714	1,285,714
D T Peters*	-	-	-	-
J D Fraser^	3,345	-	857,143	860,488

 # K R Lacey was Chief Executive Officer until her resignation on 16 January 2013
^ Shares held by nominee
** D T Peters was Chief Financial Officer until his resignation on 27 September 2012*
***C P Sacre sold 500,000 shares during the year and his nominee acquired 1,285,714.*

2011

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J J Hutson^	800,000	-	-	800,000
C J Scott^	2,000,000	-	-	2,000,000
C G Chapman*	1,208,333	-	-	1,208,333
B H Bailison	-	-	-	-
A P S Kemp	-	-	90,000	90,000
S M Forrester	-	-	-	-
M Reynolds	-	-	-	-
Other Key Management Personnel of the Group				
Ordinary Shares				
C P Sacre	500,000	250,000	(250,000)	500,000
J D Fraser	3,345	-	-	3,345
M J Crawford	3,000	-	-	3,000

^ Shares held by nominee

** C G Chapman was a director until his resignation on 26 August 2011.*

Loans to Key Management Personnel

Details of loans made to directors of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below.

(i) Aggregates for Key Management Personnel

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2012	838,413	70,205	-	1,865,034	3
2011	900,385	46,361	-	838,413	2

(ii) Individuals with loans above $100,000 during the financial year

2012

Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
C J Scott	441,372	20,643	-	342,349	449,365
C P Sacre	-	29,737	-	913,611	913,611
J D Fraser	-	19,825	-	609,074	609,074

2011

Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
C G Chapman (resigned on 26 Aug. 2011)	422,893	22,481	-	397,041	422,893
C J Scott	477,492	23,880	-	441,372	477,492

Loans outstanding at the end of the current year, made to current directors and other Key Management Personnel of G8 Education Limited include a secured loan to the nominee of Mr C J Scott of $700,000, Mr C P Sacre of $900,000 and Mr J D Fraser of $600,000 all of which were made for a period of three years and are repayable in full on 25 April 2015. Interest is payable on these loans at the rate of 6% per annum. All dividends paid for the shares issued under the loan agreement are used to repay the loan interest balance. The loans are full recourse and were issued to align executive interests with shareholders.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to Key Management Personnel.

(e) Other transactions with Key Management Personnel

Details of material transactions and their impact on the financial statements exclusive of GST at year end that Key Management Personnel and their related entities had with the Group during the year are as follows:

The following transactions occurred with Mr C J Scott up until 31 December 2012:

		2012 $	2011 $
Mr C J Scott (Managing Director) who had the following transactions:			
a) Interest charged on share loan agreement	Revenue Interest income	20,643	23,880
b) Loan granted to nominee of Mr C J Scott to purchase 2,000,000 shares G8 Education Limited for a total amount of $700,000 plus accrued interest less repayments	Non-current receivables	342,349	441,372

A loan was granted to issue 2,000,000 shares to Mr C J Scott's nominee on 18 May 2010 at $0.35. The loan was for a period of 2 years at 6% per annum. The loan was extended for a further three year term to expire in April 2015. The extension of the loan was approved by shareholders at the Annual General Meeting held in April 2012. The interest on the loan is to be capitalised and repaid at the end of the three year extended term. All dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction.

The following transactions occurred with Mr C P Sacre up until 31 December 2012:

		2012 $	2011 $
Mr C P Sacre (Chief Operating and Financial Officer) who had the following transactions:			
c) Interest charged on share loan agreement	Revenue Interest income	29,737	-
d) Loan granted to nominee of Mr C P Sacre to purchase 1,285,714 shares G8 Education Limited for a total amount of $900,000 plus accrued interest less repayments	Non-current receivables	913,611	-
e) Share based payment expense for the difference in market price of the shares issued in (d) above compared to loan value	Employment Expenses Equity	114,562	-
f) Issue of 1,285,714 shares to nominee of Mr C P Sacre as described in (d) above	Equity Contributed Equity	1,014,562	-

A loan was made to enable subscription for 1,285,714 shares by Mr C P Sacre's nominee on 14 June 2012 at $0.70 per share. The loan is for a period of three years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the three year term. All dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.95 and as a result the difference between the agreed price of $0.70 and the price on issue date has been taken to employment expenses and equity as a share based payment.

The following transactions occurred with Mr J D Fraser up until 31 December 2012:

		2012 $	2011 $
Mr J D Fraser (General Manager of Operations)who had the following transactions:			
g) Interest charged on share loan agreement	Revenue Interest income	19,825	-
h) Loan granted to nominee of Mr J D Fraser to purchase 857,143 shares G8 Education Limited for a total amount of $600,000 plus accrued interest less repayments	Non-current receivables	609,074	-
i) Share based payment expense for the difference in market price of the shares issued in (h) above compared to loan value	Employment Expenses Equity	76,375	-
j) Issue of 857,143 shares to nominee of Mr J D Fraser as described in (h) above	Equity Contributed Equity	676,375	-

A loan was made to enable subscription for 857,143 shares by Mr J D Fraser's nominee on 14 June 2012 at $0.70 per share. The loan is for a period of three years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the three year term. All dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.95 and as a result the difference between the agreed price of $0.70 and the price on issue date has been taken to employment expenses and equity as a share based payment.

		2012 $	2011 $
Mrs Karenlee Lacey (Chief Executive Officer - resigned 16 January 2013) who had the following transactions:			
k) Share based payment expense in relation to options	Employment Expenses Equity	59,237	-

(f) The aggregate value of transactions with Key Management Personnel is:

Revenue		
Interest income	70,205	46,361
Expenses		
Employment expense	250,174	-
Current assets		
Trade and other receivables	-	-
Non Current assets		
Receivables	1,865,034	838,413
Equity		
Contributed equity	1,690,937	-

NOTE 27: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2012 $	2011 $
1. Audit services		
HLB Mann Judd		
Audit and review of financial reports – half year	55,000	42,620
Audit and review of financial reports – year end	90,500	75,000
Total Remuneration for audit services	**145,500**	**117,620**

	Consolidated	
	2012 $	2011 $
1. Non-audit services		
HLB Mann Judd (SE QLD Partnership/Gold Coast Pty Ltd)		
Advisory services	-	6,250
Taxation services	21,771	31,535
Total remuneration for non-audit services	**21,771**	**37,785**

It is the Group's practice to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. These assignments are principally tax advice, or where HLB Mann Judd is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

NOTE 28: CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2012 in respect of:

a. Australia – The Group is a defendant in proceedings before the A.C.T Supreme Court. The proceedings relate to the decision by the Company not to proceed with the purchase of two child care centres in the A.C.T. in 2008. The matter was heard before the Supreme Court of ACT in April 2009.

   The plaintiff is seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold child care centres which the Group had contracted to purchase. The case has been heard and judgement has been reserved. It is not known when the decision will be handed down.

b. Singapore - In 2010, G8 Education entered into a Business Acquisition Contract (BAC) with Cherie Hearts Group International (CHGI), Sam Yap and Gurchran Singh as a means to acquire the majority of the Singapore assets of CHGI and its subsidiary companies. Litigation arose therefrom and the disputed matters were heard in the High Court of Singapore in 2011. Prakash J ruled in favour of G8 Education in April 2012 and ordered specific performance of the BAC. CHGI appealed the matter. The Court of Appeal also ruled in favour of G8 Education. Financial close of the BAC was still pending as at 31 December 2012.

NOTE 29: COMMITMENTS

(a) Capital commitments

There is no capital expenditure contracted for at the reporting date but not recognised as a liability.

(b) Lease commitments : Group as lessee

(i) Non-cancellable operating leases for premises and vehicles

	Consolidated	
	2012 $	2011 $
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Payable:		
Within one year	26,013,889	22,859,853
Later than one year but no later than five years	92,179,516	72,681,098
Later than five years	52,972,560	46,290,185
	171,165,965	**141,831,136**
Representing:		
Non-cancellable operating leases	171,165,965	141,831,136

(ii) Finance Leases

	Consolidated	
	2012 $	2011 $
Commitments in relation to vehicle finance leases are payable as follows:		
Within one year	16,733	46,812
Later than one year but no later than five years	61,833	-
Minimum lease payments	78,566	46,812
Future finance charges	(11,564)	(2,019)
Total lease liabilities	**67,002**	**44,793**
Representing lease liabilities:		
Current	13,429	44,793
Non-current	53,573	-
	67,002	**44,793**

NOTE 30: RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 33.

(c) Key Management Personnel

For details of transactions that Key Management Personnel and their related entities had with the Group during the year refer note 26 (e) and (f).

(d) Outstanding balance arising from transactions with related parties

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

	Consolidated	
	2012 $	2011 $
Current receivables *(provision of services)*		
Key Management Personnel	-	838,413
Non-Current receivables *(provision of services)*		
Key Management Personnel	1,865,034	-
Current payables *(purchase of goods and services)*		
Key Management Personnel	-	6,973

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties. All transactions with related parties during the year were made on normal commercial terms and conditions. Outstanding balances are unsecured and are repayable in cash.

NOTE 31: BUSINESS COMBINATIONS

1. 2012 Business Combinations

Seven business combination events occurred in the current period.

The acquisitions have increased the Group's market share and are expected to reduce costs per centre through economies of scale. The goodwill is attributable to the future profitability of the acquired businesses and is a result of the expected synergies from combining operations of the acquiree and the acquirer. The intangible assets acquired do not qualify for separate recognition, as no intangibles acquired can be transferred or sold to any acquirer.

(a) On 2 March 2012 the parent entity acquired one child care centre in Victoria
Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	805,000
Contingent consideration	800,000
Purchase price adjustments	(65,865)
Total purchase consideration	**1,539,135**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	-
Payables	(21,425)
Employee benefit liabilities	(44,440)
Net identifiable assets/(liabilities) acquired	(65,865)
Goodwill	1,605,000
	1,539,135

Contingent consideration

The contingent consideration arrangement required the Group to pay the former owner of the centre a deferred cash payment in the event that the centre based EBIT exceeds $400,000 for the period from 1 April 2012 to 31 March 2013. It has been determined that this deferred consideration will be payable based on the centre EBIT achieved for the year ended 31 December 2012.

Acquisition-related costs

Legal and due diligence costs of $1,045 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $1,495,462 and profit before tax of $502,703 to the Group for the period 2 March 2012 to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

(b) On 1 June 2012 and 17 August 2012 the parent entity acquired 3 child care centres in Victoria.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	10,000,000
Purchase price adjustments	(335,100)
Total purchase consideration	**9,664,900**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	87,000
Payables	(38,200)
Employee benefit liabilities	(332,857)
Net identifiable assets/(liabilities) acquired	(284,057)
Goodwill	9,948,957
	9,664,900

Acquisition-related costs

Legal and due diligence costs of $39,388 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired businesses contributed revenues of $3,180,367 and profit before tax of $1,019,140 to the Group for the period 1 June 2012 and 17 August 2012 to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

(c) On 28 September 2012 the parent entity acquired two child care centres in Victoria.
Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	1,820,000
Contingent consideration	550,000
Purchase price adjustments	(103,755)
Total purchase consideration	**2,266,245**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	40,000
Payables	(10,367)
Employee benefit liabilities	(93,388)
Net identifiable assets/(liabilities) acquired	(63,755)
Goodwill	2,330,000
	2,266,245

Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owner of the two centres a deferred cash payment in the event that the centre based EBIT exceeds $600,000 for the 12 months from 1 October 2012 to 30 September 2013. The deferred payment will be based on four times actual centre EBIT. The deferred consideration is capped at $550,000. The payment of the contingent consideration is to be paid by the Group on or before 30 November 2013.

Acquisition-related costs

Legal and due diligence costs of $18,783 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $832,277 and profit before tax of $117,584 to the Group for the period 28 September to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

(d) On 28 September 2012 the parent entity acquired three child care centres in Victoria. Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	6,001,773
Contingent consideration	400,000
Purchase price adjustments	(398,805)
Total purchase consideration	**6,002,968**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	60,000
Payables	(21,890)
Employee benefit liabilities	(433,173)
Net identifiable assets/(liabilities) acquired	(395,063)
Amounts held in trust pending final adjustments	336,000
Goodwill	6,062,031
	6,002,968

Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owner of the three centres a deferred cash payment in the event that the centre based EBIT exceeds $1.6m for the 12 months from 1 October 2012 to 30 September 2013. The deferred payment will be based on four times actual centre EBIT. The deferred consideration is capped at $400,000. The payment of the contingent consideration is to be paid by the Group on or before 30 November 2013.

Acquisition-related costs

Legal and due diligence costs of $21,954 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $1,819,333 and profit before tax of $322,518 to the Group for the period 28 September to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

(e) On 19 October 2012 the parent entity acquired seven child care centres in New South Wales. Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	9,712,089
Purchase price adjustments	(395,298)
Total purchase consideration	**9,316,791**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	286,264
Payables	(98,470)
Employee benefit liabilities	(347,478)
Net identifiable assets/(liabilities) acquired	(159,684)
Goodwill	9,476,475
	9,316,791

Acquisition-related costs

Legal and due diligence costs of $36,089 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $1,327,275 and profit before tax of $486,785 to the Group for the period 19 October to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

(f) On 9 November 2012 the parent entity acquired sixteen child care centres with fourteen in Victoria and two in Queensland.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	28,000,000
Purchase price adjustments	(1,461,194)
Total purchase consideration	**26,538,806**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	-
Payables	(464,114)
Employee benefit liabilities	(994,475)
Net identifiable assets/(liabilities) acquired	(1,458,589)
Goodwill	27,997,395
	26,538,806

Acquisition-related costs

Legal and due diligence costs of $81,018 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $3,643,590 and profit before tax of $865,938 to the Group for the period 9 November to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

(g) On 14 December 2012 the parent entity acquired one child care centre in Victoria.

Details of the purchase consideration, the fair value of the assets and liabilities and goodwill are as follows:

Purchase consideration	$
Cash consideration	2,000,000
Contingent consideration	400,000
Purchase price adjustments	(35,000)
Total purchase consideration	**2,365,000**

Assets and liabilities acquired	Fair Value $
The assets and liabilities recognised as a result of the acquisition are as follows:	
Property plant and equipment	-
Net identifiable assets/(liabilities) acquired	-
Amounts held in trust pending final adjustments	220,000
Goodwill	2,145,000
	2,365,000

Contingent consideration

The contingent consideration arrangement requires the Group to pay the former owner of the centre a deferred cash payment in the event that the centre based EBIT exceeds $600,000 for the 12 months from 1 January 2013 to 31 December 2013. The deferred payment will be based on four times actual centre EBIT. The deferred consideration is capped at $400,000. The payment of the contingent consideration is to be paid by the Group on or before 28 February 2014.

Acquisition-related costs

Legal and due diligence costs of $5,000 relating to the acquisition have been expensed.

Revenue and profit contribution

The acquired business contributed revenues of $50,861 and profit before tax of $(10,427) to the Group for the period 14 December to 31 December 2012. Contribution from the acquisition to both revenue and profit for the year ended 31 December 2012, had the acquisition settled on 1 January 2012, is impractical to quantify.

NOTE 32: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 31 December 2012 the parent entity of the Group was G8 Education Limited.

Result of parent entity	2012 $	2011 $
Profit for the year after tax	3,795,515	5,079,948
Other comprehensive income	229,261	-
Total comprehensive income for the year	**4,024,776**	**5,079,948**
Financial position of parent entity at year end		
Current assets	46,916,047	29,740,733
Non-current assets	205,615,994	151,322,813
Total assets	**252,532,041**	**181,063,546**
Current liabilities	33,033,219	30,770,426
Non-current liabilities	68,618,686	50,281,818
Total liabilities	**101,651,905**	**81,052,244**
Total equity of parent entity comprising of:		
Contributed equity	180,159,526	117,829,441
Reserves	(170,024)	-
Accumulated losses	(29,109,366)	(17,818,139)
Total equity	**150,880,136**	**100,011,302**

Parent entity contingencies

The directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

The parent entity had contingent liabilities at 31 December 2012 in respect of:

a. Australia – The Group was a defendant in proceedings before the A.C.T Supreme Court. The proceedings relate to the decision by the Company not to proceed with the purchase of two child care centres in the A.C.T. in 2008. The plaintiff is seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold child care centres which the Group had contracted to purchase. The case has been heard and judgement has been reserved. It is not known when the decision will be handed down.

b. Singapore - In 2010, G8 Education entered into a Business Acquisition Contract (BAC) with Cherie Hearts Group International (CHGI), Sam Yap and Gurchran Singh as a means to acquire the majority of the Singapore assets of CHGI and its subsidiary companies. Litigation arose therefrom and the disputed matters were heard in the High Court of Singapore in 2011. Prakash J ruled in favour of G8 Education in April 2012 and ordered specific performance of the BAC. CHGI appealed the matter. The Court of Appeal also ruled in favour of G8 Education. Financial close of the BAC was still pending as at 31 December 2012.

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 34.

Loans from subsidiaries

During the year ended 31 December 2012, the parent entity issued and incurred loans from its wholly owned subsidiaries which are interest free and with no fixed terms of repayments. These loans are at call with no defined repayment period.

NOTE 33: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

			Equity holding *	
Name of entity	Country of incorporation	Class of shares	2012 %	2011 %
Subsidiaries of Company				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	52	52
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Limited	Australia	Ordinary	100	100
Bourne Learning Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.1) Pty Limited	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.2) Pty Limited	Australia	Ordinary	100	100
RBL No. 1 Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Licences Pty Limited	Australia	Ordinary	100	100
World Of Learning Pty Limited	Australia	Ordinary	100	100
World Of Learning Acquisitions (No.1) Pty Limited	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Limited	Australia	Ordinary	100	100
World Of Learning Licences Pty Limited	Australia	Ordinary	100	100
G8 KP Pty Ltd	Australia	Ordinary	100	100
G8 Singapore Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Corporate Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Holdings Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SC Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ YS Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ KK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ TM Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SK Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ PGL Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ Gombak Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors Pte Ltd	Singapore	Ordinary	100	100
Subsidiaries of Togalog Pty Ltd				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	48	48

** The proportion of ownership interest is equal to the proportion of voting power held.*

NOTE 34: DEED OF CROSS GUARANTEE

G8 Education Limited, Grasshoppers Early Learning Centre Pty Ltd, Togalog Pty Ltd, RBWOL Holding Pty Ltd (Formerly Payce Child Care Pty Ltd), Ramsay Bourne Holdings Pty Ltd, Bourne Learning Pty Ltd (Formerly Ramsay & Bourne Pty Ltd), Ramsay Bourne Acquisitions (No.1) Pty Ltd, Ramsay Bourne Acquisitions (No.2) Pty Ltd, RBL (No. 1) Pty Ltd, Ramsay Bourne Licences Pty Ltd, World Of Learning Pty Ltd, World Of Learning Acquisitions (No.1) Pty Ltd, World Of Learning Acquisitions Pty Ltd and World Of Learning Licences Pty Ltd, G8 KP Pty Ltd are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statements of comprehensive income

G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd represent a 'closed group' for the purposes of the Class Order. The other parties to the deed of cross guarantee listed above do not require relief from Class Order 98/1418 as they do not meet the threshold to prepare a financial report and Directors' Report. All parties to the deed of cross guarantee (as listed above) are wholly owned subsidiaries of G8 Education Limited and the entire Group represent the 'extended closed group'.

Set out on page 100 is a consolidated statement of comprehensive income for the year ended 31 December 2012 of the closed group consisting of G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd.

	2012 $	2011 $
Revenue from continuing operations	163,469,327	127,013,977
Other Income	964,480	4,949,953
Expenses		
Employee benefits expense	(99,628,492)	(77,696,202)
Occupancy	(20,907,147)	(17,200,517)
Direct costs of providing services	(12,625,497)	(9,217,168)
Legal fees	(783,984)	(247,872)
Amortisation	(473,255)	(191,671)
Depreciation expense	(1,891,985)	(1,621,401)
Impairment	(9,103)	(547,747)
Insurance	(503,403)	(484,513)
Other Expenses	(3,821,628)	(2,137,012)
Finance costs	(2,538,618)	(2,187,739)
Total expenses	**(143,183,112)**	**(111,531,842)**
Profit before income tax	21,250,695	20,432,088
Income tax (expense)	(6,990,807)	(5,346,318)
Profit for the year	**14,259,888**	**15,085,770**
Other Comprehensive income for the year, net of Tax	(229,261)	-
Total Comprehensive income for the year	**14,030,627**	**15,085,770**

(b) Balance Sheets

Set out below is a consolidated balance sheet as at 31 December 2012 of the closed group consisting of G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd.

	2012 $	2011 $
Current assets		
Cash and cash equivalents	21,009,027	13,439,307
Trade and other receivables	12,212,470	5,199,634
Other current assets	15,891,240	18,411,580
Assets classified as held for sale	107,700	-
Total current assets	**49,220,437**	**37,050,521**
Non-current assets		
Receivables	1,865,034	-
Investments in extended Group	8,698,155	7,503,700
Property, plant and equipment	9,834,227	7,374,986
Deferred tax assets	3,557,786	1,882,801
Intangible assets	192,400,992	133,680,518
Total non-current assets	**216,356,194**	**150,442,005**
Total assets	**265,576,631**	**187,492,526**
Current liabilities		
Trade and other payables	22,520,137	26,928,756
Borrowings	3,013,427	315,961
Provisions	7,199,108	4,027,484
Derivative Liability	327,516	-
Current tax liabilities	4,645,231	3,711,626
Total current liabilities	**37,705,419**	**34,983,827**
Non-current liabilities		
Borrowings	46,239,256	36,082,557
Borrowings from extended group	6,628,185	3,067,595
Provisions	1,041,029	717,909
Total non-current liabilities	**53,908,470**	**39,868,061**
Total liabilities	**91,613,889**	**74,851,888**
Net assets	**173,962,742**	**112,640,638**
Equity		
Contributed equity	180,159,525	117,840,544
Reserves	(170,024)	-
Accumulated losses	(6,026,759)	(5,199,906)
Total equity	**173,962,742**	**112,640,638**

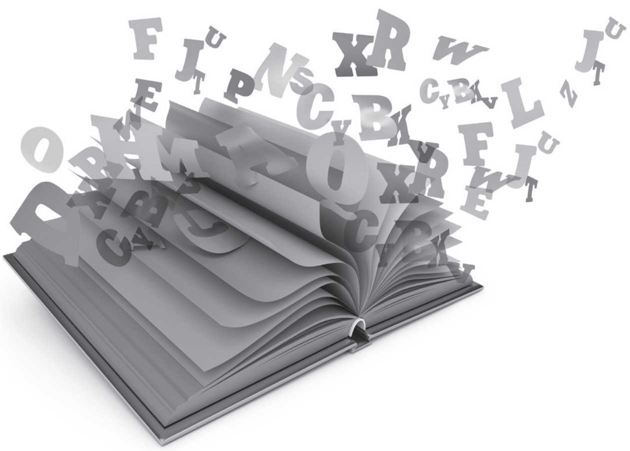
NOTE 35: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following material matters have taken place subsequent to year end:

- Resignation of CEO, Karenlee Lacey on 16 January 2013;
- G8 Education Limited raising $35m through a placement to institutional and sophisticated investors resulting in the issue of 24,137,931 shares. The placement was completed at $1.45 per share;
- G8 Education announced the proposed acquisition of 12 childcare centres for $18.7m;and
- G8 Education announced the quarterly dividend would increase from 2 cents per share per quarter fully franked to 2.5 cents per share per quarter fully franked from the March 2013 quarterly dividend.

NOTE 36: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2012 $	2011 $
Profit for the year	19,208,610	17,250,351
Depreciation and amortisation	2,056,760	1,710,630
Impairment expense	9,103	586,718
Net gain on sale of operations	(10,076)	(651,137)
Write back of deferred consideration not payable	(954,404)	(4,298,816)
Increase in borrowing cost prepayments	379,237	332,017
Amortisation of borrowing costs	473,255	191,671
Tax benefit on equity – non cash	609,211	314,587
Option expense – non cash	-	(24,804)
(Increase) in trade and other debtors	(5,439,806)	(7,469,380)
(Increase) in deferred tax asset	(1,674,984)	(530,363)
Increase in trade and other payables	4,800,535	1,857,920
Increase in other provisions	704,413	198,987
Non-cash employee benefits expense - share based payments	250,174	-
Increase in provision for income taxes payable	1,296,489	3,378,425
Interest income	(1,754,970)	(1,088,686)
Net cash inflows from operating activities	**19,953,547**	**11,758,120**



NOTE 37: EARNINGS PER SHARE

	Consolidated	
	2012 Cents	2011 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	8.95	9.27
(b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	8.94	9.27
Profit attributable to the ordinary equity holders of the Company	**8.94**	**9.27**
(c) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	19,208,610	17,250,351
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	19,208,610	17,250,351

	Consolidated	
	2012 Number	2011 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	214,559,200	186,034,545
Adjustments for calculation of diluted earnings per share:		
Options	400,000	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	214,959,200	186,034,545

NOTE 38: SHARE-BASED PAYMENTS

Details of options over ordinary shares in G8 Education Limited provided as remuneration to Key Management Personnel of the Group are set out below. Value of options at grant date is set out below. When exercisable, each option is convertible into one ordinary share of G8 Education Limited. Further information on the options are set out in note 23, 24 and 26 to the financial statements.

The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting years are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
27 September 2012	27 September 2012	27 March 2014	$1.27	$0.2193
27 September 2012	27 September 2013	27 March 2015	$1.27	$0.2953

The model inputs for options granted during the year ended 31 December 2012 included:

Options were granted for:	No consideration
Exercise price:	$1.27 per share
Grant date:	27 September 2012
Vesting date:	Tranche A - vesting date of 27 September 2012 Tranche B - vesting date of 27 September 2013
Expiry date:	Tranche A - expiry date of 27 March 2014 Tranche B - expiry date of 27 March 2015
Expected price volatility of the Group's shares:	55%
Expected dividend yield:	7.3% (Tranche 1) and 8.3% (Tranche 2)
Risk-free interest rate:	Tranche A – 2.7333% Tranche B – 2.4664%
Escrow year:	Nil

Refer to the Directors' Report Section D on pages 16 and 17 for further details.

The weighted average remaining contractual life of share options outstanding at the end of the year was 1.5 years.

(a) Fair value of options granted

There were 400,000 options granted during the year ended 31 December 2012. The assessed fair value at grant date of the options issued during the year ended 31 December 2012 was $102,920.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the year from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-fee interest rate for the term of the option.

(b) Expenses arising from share based transactions

Expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as follows:

	Consolidated	
	2012 $	2011 $
Options issued under executive option plan	(59,237)	(24,804)
Share based payment expense on fair value adjustment on shares issued to nominees of C P Sacre and J D Fraser	(190,937)	-
	(250,174)	**(24,804)**

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 30 to 104 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) At the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 34 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 34.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Jennifer J Hutson
Chairperson
25 February 2013

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditor's Report to the Members of

G8 Education Limited

Report on the Financial Report

We have audited the accompanying financial report of G8 Education Limited ("the company"), which comprises the consolidated statement of financial position as at 31 December 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditors Report (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of G8 Education Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 17 of the directors' report for the year ended 31 December 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2012 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

Accountants | Business and Financial Advisers

Independent Auditors Report (continued)

Matters relating to the electronic presentation of the audited financial report and remuneration report

This auditor's report relates to the financial report and remuneration report of G8 Education Limited for the financial year ended 31 December 2012 published in the annual report and included on the company's website. The company's directors are responsible for the integrity of the company's website. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report and remuneration report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report and remuneration report. If users of the financial report and remuneration report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report and remuneration report to confirm the information contained in this website version of the financial report and remuneration report.

HLB MANN JUDD
Chartered Accountants

HLB Mann Judd.

C J M King
Partner

Brisbane, Queensland
25 February 2013

AUDITED FINANCIAL STATEMENTS OF G8 EDUCATION LIMITED AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

The information in this Appendix IV has been extracted and reproduced from the audited financial statements of G8 Education Limited and its subsidiaries for the financial year ended 31 December 2013 and has not been specifically prepared for inclusion in this Information Memorandum and references to the page numbers herein are to those as reproduced from the annual report for the financial year ended 31 December 2013.

Consolidated Income Statement

For the year ended 31 December 2013

	Notes	Consolidated 2013 $'000	2012 $'000
Revenue			
Revenue from continuing operations	5	**274,615**	**179,027**
Other income	6	550	964
Total Revenue		**275,165**	**179,991**
Expenses			
Employee benefits		(159,586)	(106,311)
Occupancy		(33,323)	(22,800)
Direct costs of providing services		(21,449)	(13,543)
Legal fees		(742)	(789)
Amortisation	7	(381)	(473)
Depreciation	7	(3,129)	(2,057)
Impairment	7	-	(9)
Insurance		(698)	(537)
Other expenses		(6,468)	(4,064)
Finance costs	7	(4,790)	(2,539)
Total expenses		**(230,566)**	**(153,122)**
Profit before income tax		**44,599**	**26,869**
Income tax expense	8	(13,527)	(7,660)
Profit for the year attributable to members of the parent entity		**31,072**	**19,209**
		Cents	**Cents**
Basic earnings per share		11.28	8.95
Diluted earnings per share		11.28	8.94

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2013

	Notes	Consolidated 2013 $'000	2012 $'000
Profit for the year		**31,072**	**19,209**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	23	3,215	861
Effective portion of changes in fair value of cash flow hedges	23	58	(229)
Total other comprehensive income		**3,273**	**632**
Total comprehensive income for the year		**34,345**	**19,841**

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

Consolidated Balance Sheet

For the year ended 31 December 2013

	Notes	Consolidated 2013 $'000	2012 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	114,043	21,790
Trade and other receivables	10	9,613	12,711
Other current assets	11	4,424	16,750
Assets classified as held for sale	12	-	108
Total current assets		**128,080**	**51,359**
Non-current assets			
Receivables	13	1,640	1,865
Property plant and equipment	14	18,069	10,646
Deferred tax assets	15	7,320	3,558
Goodwill	16	326,857	201,814
Total non-current assets		**353,886**	**217,883**
Total assets		**481,966**	**269,242**
LIABILITIES			
Current liabilities			
Trade and other payables	17	39,825	23,634
Borrowings	18	3,778	2,720
Employee entitlements	19	11,214	7,471
Derivative financial instruments	20	283	328
Current tax liabilities		8,910	5,176
Total current liabilities		**64,010**	**39,329**
Non-current liabilities			
Borrowings	18	110,436	46,532
Other payables		760	-
Provisions	21	1,974	1,073
Total non-current liabilities		**113,170**	**47,605**
Total liabilities		**177,180**	**86,934**
Net assets		**304,786**	**182,308**
EQUITY			
Contributed equity	22	302,001	180,160
Reserves	23	18,884	8,048
Retained earnings	23	(16,099)	(5,900)
Total equity		**304,786**	**182,308**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2013

	Notes	Contributed equity $'000	Hedging Reserve $'000	Translation Reserve $'000	Fair Value Reserve $'000	Profits Reserve $'000	Retained earnings $'000	Total $'000
Consolidated								
Balance 1 January 2012		**117,829**	-	**(789)**	-	**3,127**	**(5,003)**	**115,164**
Profit for the year		-	-	-	-	-	19,209	**19,209**
Other comprehensive income		-	(229)	861	-	-	-	**632**
Total comprehensive income for the year		**-**	**(229)**	**861**	-	-	**19,209**	**19,841**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost		62,331	-	-	-	-	-	**62,331**
Transfer of profits reserve		-	-	-	-	20,106	(20,106)	**-**
Dividends provided for or paid		-	-	-	-	(15,087)	-	**(15,087)**
Employee share options expense		-	-	-	59	-	-	**59**
		62,331	-	**-**	**59**	**5,019**	**(20,106)**	**47,303**
Balance 31 December 2012	23,24	**180,160**	**(229)**	**72**	**59**	**8,146**	**(5,900)**	**182,308**
Balance 1 January 2013		**180,160**	**(229)**	**72**	**59**	**8,146**	**(5,900)**	**182,308**
Profit for the year		-	-	-	-	-	31,072	**31,072**
Other comprehensive income		-	58	**3,215**	-	-	-	**3,273**
Total comprehensive income for the year		-	**58**	**3,215**	-	-	**31,072**	**34,345**
Transactions with owners in their capacity as owners								
Contributions of equity, net of transaction cost		121,587	-	-	-	-	-	**121,587**
Transfer of Profits Reserve		-	-	-	-	41,271	(41,271)	**-**
Dividends provided for or paid		-	-	-	-	(33,649)	-	**(33,649)**
Employee share options expense		-	-	-	(59)	-	-	**(59)**
Employee share options exercised		254	-	-	-	-	-	**254**
		121,841	**-**	**-**	**(59)**	**7,622**	**(41,271)**	**88,133**
Balance 31 December 2013	23,24	**302,001**	**(171)**	**3,287**	**-**	**15,768**	**(16,099)**	**304,786**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2013

	Notes	Consolidated 2013 $'000	2012 $'000
Cash flows from Operating Activities			
Receipts from customers		274,595	176,997
Payments to suppliers and employees		(218,783)	(147,611)
Interest received		1,481	535
Interest paid		(2,039)	(2,524)
Income taxes paid		(12,219)	(7,444)
Net cash inflows from operating activities	35	**43,035**	**19,953**
Cash flows from Investing Activities			
Payments for purchase of businesses (net of cash acquired)		(98,536)	(57,710)
Repayment of loans by Key Management Personnel		277	552
Inflows of funds for term deposits		-	2,967
Proceeds from sale of property, plant and equipment		557	165
Payments for property plant and equipment		(10,500)	(4,771)
Net cash outflows from investing activities		**(108,202)**	**(58,797)**
Cash flows from Financing Activities			
Share issue costs		(4,440)	(1,703)
Dividends paid		(19,232)	(8,077)
Proceeds from issue of corporate note		68,505	45,939
Proceeds from issue of shares		115,854	-
Inflows from borrowings		-	50,737
Repayment of borrowings		(3,514)	(37,504)
Net cash inflows from financing activities		**157,173**	**49,392**
Net increase in cash and cash equivalents		**92,006**	**10,548**
Cash and cash equivalents at the beginning of the financial year		21,777	11,186
Effects of exchange rate changes on cash		246	43
Cash and cash equivalents at the end of the financial year	9	**114,029**	**21,777**

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

INDEX TO NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	39
NOTE 2: FINANCIAL RISK MANAGEMENT	51
NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS	56
NOTE 4: SEGMENT INFORMATION	57
NOTE 5: REVENUE	57
NOTE 6: OTHER INCOME	58
NOTE 7: EXPENSES	58
NOTE 8: INCOME TAX EXPENSE	59
NOTE 9: CURRENT ASSETS – CASH AND CASH EQUIVALENTS	60
NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES	60
NOTE 11: CURRENT ASSETS – OTHER	62
NOTE 12: CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE	62
NOTE 13: NON-CURRENT ASSETS – RECEIVABLES	62
NOTE 14: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT	63
NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS	64
NOTE 16: NON-CURRENT ASSETS – GOODWILL	65
NOTE 17: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES	67
NOTE 18: CURRENT AND NON – CURRENT LIABILITIES - BORROWINGS	67
NOTE 19: EMPLOYEE ENTITLEMENTS	70
NOTE 20: DERIVATIVE FINANCIAL INSTRUMENTS	70
NOTE 21: NON-CURRENT LIABILITIES – PROVISIONS	71
NOTE 22: CONTRIBUTED EQUITY	71
NOTE 23: RESERVES AND RETAINED EARNINGS	73
NOTE 24: DIVIDENDS	75
NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES	76
NOTE 26: REMUNERATION OF AUDITORS	81
NOTE 27: CONTINGENCIES	82
NOTE 28: COMMITMENTS	82
NOTE 29: RELATED PARTY TRANSACTIONS	83
NOTE 30: BUSINESS COMBINATIONS	84
NOTE 31: PARENT ENTITY DISCLOSURES	85
NOTE 32: SUBSIDIARIES	86
NOTE 33: DEED OF CROSS GUARANTEE	87
NOTE 34: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE	89
NOTE 35: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES	89
NOTE 36: EARNINGS PER SHARE	90
NOTE 37: SHARE-BASED PAYMENTS	90

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the consolidated entity consisting of G8 Education Limited and its subsidiaries.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards (AASB), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The Company is a listed for profit public company, incorporated in Australia and operating in Australia and Singapore. The Company's principal activities are operating child care centres and ownership of franchised child care centres.

The financial statements were authorised for issue on 17 February 2014.

Compliance with IFRS

Compliance with AASB ensures that the financial report of G8 Education Limited and the Group complies with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention as modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and liabilities.

Critical accounting estimates

The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of G8 Education Limited ("Company" or "parent entity") as at 31 December 2013 and the results of all subsidiaries for the year then ended.

G8 Education Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

Inter-Company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment reporting

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Chief Operating Decision Maker. The Board of Directors has been identified as the Chief Operating Decision Maker that makes strategic decisions.

(d) Seasonality

The child care industry has a distinct seasonal pattern. A large Group of children leave child care to commence school at the beginning of the year and then revenue increases with new enrolments as the calendar year progresses. Therefore the second half of the calendar year delivers significantly more than half of the annual profit.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is G8 Education Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.

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

(iii) Group companies

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

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

On consolidation, exchange differences arising from the translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

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

(f) Revenue recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that the future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the service provided have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangements.

Revenue is recognised for the major business activities as follows:

(i) Child care fees

Fees paid by the Government (Child Care Benefit and Child Care Tax Rebate) or parent fees are recognised as and when a child attends a child care service.

(ii) Royalty Income

Royalty fees paid by franchisees are recognised in accordance with the franchise agreement and once the operational support service has been performed.

(iii) Government Funding/Grants

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

(iv) Deferred income

Revenue received in advance from parents and the Government, is recognised as deferred income and classified as a current liability. This amount is recorded as income when the service has been provided.

(v) Interest income

Interest income is recognised using the effective interest method.

(g) 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 operate and generate taxable income. Management 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 consolidated 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 Group 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 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.

G8 Education and it's wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit and 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.

(h) Leases

Leases of property, plant and equipment where the Group, 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 Group 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 year of the lease.

(i) Business combinations

The acquisition 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 Group's share of the identifiable net assets acquired is recorded as goodwill (refer note 1 (q)). If the cost of acquisition is less than the Group'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 entity'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.

(j) Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value in use is calculated based on the discounted cash flows of the child care centres over the lease period including a terminal value calculation, which is assessed on a segment level.

Goodwill must be assessed for impairment at the lowest level at which management monitors goodwill, however the level cannot be higher than the operating segment level. The Group operates one operating segment and management monitors goodwill at this level. Therefore, goodwill is tested for impairment at the operating segment level.

(k) Cash and cash equivalents

For statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables represent child care fees receivable from the Government Child Care Benefit (CCB) and parents.

Under the weekly Child Care Management System (CCMS), implemented in July 2008, CCB is generally paid weekly in arrears based on the actual attendance and entitlement of each child attending the child care centre. Parent fees are required to be paid one week in advance. Therefore, the parent fees receivable relate to amounts past due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the income statement in other expenses.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable is uncollectable, it is written off against the allowance for trade receivables. Subsequent recoveries of amounts previously written off are credited against other expenses in income statement.

(m) Non current assets (or disposal Groups) held for sale

Non current assets (or disposal Group's) are classified as held for sale and stated at the lower of their carrying amount and fair value less costs to sell if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal Group) to fair value less costs to sell.

Non-current assets (including those that are part of a disposal Group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal Group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal Group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal Group classified as held for sale are presented separately from other liabilities in the balance sheet.

(n) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired and their characteristics. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with settlements greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) in the balance sheet.

(ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the profit or loss are expensed in the profit or loss.

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or Group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Increases in the value of available for sale investments are taken to Other Comprehensive Income.

(i) Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtors credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Impairment testing of trade receivables is described in note 1(l).

(o) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depend on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- Hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedge); or
- Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 23. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(p) Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Income Statement during the reporting year in which they are incurred.

Depreciation for vehicles is calculated using the diminishing value method and on other assets calculated using the straight-line method to allocate their cost net of their residual values, over their estimated lives, as follows:

Buildings	40 years
Vehicles	3 – 12 years
Furniture, fittings and equipment	2–15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the Income Statement.

(q) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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 a childcare centre include the carrying amount of goodwill relating to the centre sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Group of cash-generating units that are expected to benefit from the business synergies. Each unit or Group of units in which goodwill is allocated represents the lowest level in which goodwill is monitored for internal management purposes, and is not larger than an operating segment.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(s) Borrowings and borrowing costs

Borrowings are initially recognised at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the year of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are capitalised as a prepayment for borrowing services and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(t) Provisions

Provisions for legal claims, and make-good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is possible that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(u) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share-based payments

Share-based compensation benefits are provided to Key Management Personnel. Information relating to this is set out in note 25.

The fair value of options granted is recognised as a share based payment expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each year takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

The Company may issue loans to Key Management Personnel to acquire shares in the Company as part of the remuneration and retention planning of Key Management Personnel. If the market value of the shares on issue date is higher than the value of the shares prescribed in the loan agreement then the difference is expensed to the income statement and corresponding increase in equity.

(iv) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructure.

(v) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(w) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at reporting date.

(x) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(y) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(z) Rounding Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(aa) New accounting standards and interpretations for application in future periods

Financial Instruments

PRONOUNCEMENTS	AASB 9 Financial Instruments AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009) AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transitional Disclosures AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income. AASB 2013 -9 adds chapter 6 Hedge Accounting to AASB 9 which supersedes the general hedge accounting requirements in AASB 139 Financial Instruments: Recognition and Measurement, which many consider to be too rules-based and arbitrary. Chapter 6 requirements include a new approach to hedge accounting that is intended to more closely align hedge accounting with risk management activities undertaken by entities when hedging financial and non-financial risks. Some of the key changes from AASB 139 are as follows: • to allow hedge accounting of risk components of non-financial items that are identifiable and measurable (many of which were prohibited from being designated as hedged items under AASB 139); • changes in the accounting for the time value of options, the forward element of a forward contract and foreign-currency basis spreads designated as hedging instruments; and • modification of the requirements for effectiveness testing (including removal of the 'bright-line' effectiveness test that offset for hedging must be in the range 80-125%). Revised disclosures about an entity's hedge accounting have also been added to AASB 7 Financial Instruments: Disclosures. AASB 2013 – 9 also permits an entity to elect to apply the own credit risk provisions without applying the other requirements in AASB 9 (2010). If an entity does so, it is required to disclose that fact and provide the disclosures in paragraphs 10-11 of AASB 7 concerning financial liabilities designated at fair value.
EFFECTIVE DATE	Annual reporting periods beginning on or after 1 January 2017
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The available-for-sale investments held will be classified as fair value through OCI and will no longer be subject to impairment testing. The impairment loss recognised in the current year financial statements in relation to these statements was nil. Hedge accounting is likely to be applied to more of the entity's transactions in future transactions – the impact on the reported financial position and performance is dependent on the volume and value of future derivatives. Other impacts on the reported financial position and performance have not yet been determined.

Removal of KMP disclosures about individuals

PRONOUNCEMENTS	AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]
NATURE OF THE CHANGE IN ACCOUNTING POLICY	Amends AASB 124 to remove the disclosures required of disclosing entities about individual key management personnel (e.g. components of remuneration). Early adoption is not permitted.
EFFECTIVE DATE	Annual periods beginning on or after 1 July 2013 (i.e. 30 June 2014 year ends)
EXPECTED IMPACT ON THE FINANCIAL STATEMENTS	The KMP remuneration disclosure note will now show total remuneration only rather than separating the remuneration into components.

New and Amended Accounting Policies Adopted by the Group

Consolidated financial statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 January 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 12: Disclosure of Interests in Other Entities; and
- AASB 127: Separate Financial Statements.

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate and investee that was not previously consolidated and/or deconsolidated an investee that was not consolidated under the previous accounting pronouncements.

The Group has applied these Accounting Standards with retrospective effect in accordance with their transitional requirements.

The first-time application of AASB 10 resulted in no changes to the Group's financial statements.

Employee Benefits

The Group adopted AASB 119: Employee Benefits (September 2011) and AASB 2011 - 10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) from the mandatory application date of 1 January 2013. The Group has applied these Standards retrospectively in accordance with AASB 105 and the transitional provisions of AASB 119.

The transitional provisions of AASB 119 also prohibit an entity from adjusting the carrying amount of any assets outside the scope of AASB 119 for changes in employee benefit costs that were included in the carrying amount before the date of initial application.

AASB 119 (September 2011) also changed the accounting for short term employee benefits. These changes, however, did not have a material impact on the Group's financial statements. For the purpose of measurement, AASB 119 (September 2011) defines obligations for sort-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. Previously, the Group has separated provisions for benefits with similar characteristics, such as annual leave, sick leave and long service leave, short- and long-term portions and applied the relevant measurement approach under AASB 119 to the respective portions. 12 months after the end of the period in which the benefits were earned, most of the obligations for these employee benefits are now measured on a discounted basis. However, as the Group expects most employee benefits to be taken within 24 months of the reporting period in which they were earned, this change did not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements. Note also that these changes do not impact the classification of leave entitlements between current and non-current liabilities in the Group's financial statements.

Fair value measurement

The Group has applied AASB 13: Fair Value Measurement and the relevant consequential amendments arising from the related Amending Standards prospectively from the mandatory application date of 1 January 2013 and in accordance with AASB 108 and the specific transitional requirements in AASB 13.

No material adjustments to the carrying amounts of any of the Group's assets or liabilities were required as a consequence of applying AASB 13. Nevertheless, AASB 13 requires enhanced disclosures regarding assets and liabilities that are measured at fair value and fair values disclosed in the Group's financial statements. These enhances disclosures are provided in Note 2.
The disclosure requirements in AASB 13 need not be applied by the Group in the comparative information provided for periods before initial application of AASB 13 (that is, periods beginning before 1 January 2013)

(ab) Parent entity financial information

The financial information for the parent entity, G8 Education Limited, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of G8 Education Limited.

(ii) Tax consolidation legislation

G8 Education Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, G8 Education Limited and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated Group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, G8 Education Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated Group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate G8 Education Limited for any current tax payable assumed and are compensated by G8 Education Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to G8 Education Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

NOTE 2: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, foreign exchange risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as interest rate swaps to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, and other risks, and ageing analysis for credit risk.

Risk management is carried out under policies approved by the Board. The Board provides principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk and investment of excess liquidity.

The Group holds the following financial instruments:

	Consolidated	
2013	**Financial assets at amortised cost $'000**	**Total $'000**
Financial Assets		
Cash and cash equivalents	114,043	**114,043**
Trade and other receivables	9,071	**9,071**
Non-current receivables	1,640	**1,640**
	124,754	**124,754**
2012		
Financial Assets		
Cash and cash equivalents	21,790	**21,790**
Trade and other receivables	12,711	**12,711**
Non-current receivables	1,865	**1,865**
	36,366	**36,366**

		Consolidated	
2013	**Derivatives used for Hedging $'000**	**Liabilities at amortised cost $'000**	**Total $'000**
Financial Liabilities			
Trade and other payables	-	34,709	**34,709**
Borrowings	-	114,214	**114,214**
Derivative financial instruments	283	-	**283**
	283	**148,923**	**149,206**
2012			
Financial Liabilities			
Trade and other payables	-	19,525	**19,525**
Borrowings	-	49,252	**49,252**
Derivative financial instruments	328	-	**328**
	328	**68,777**	**69,105**

(a) Foreign exchange risk

The Group has operations in Singapore and is exposed to foreign exchange risk associated with the Singapore dollar.

Foreign exchange risk arises from future commercial transaction and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The foreign exchange risk is managed through a natural hedge as the cash flows from operations are denominated in Singapore dollars.

No other hedging derivatives were put in place during the year to manage the foreign exchange risk.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Singapore dollars, was as follows:

	Consolidated	
	2013 SGD $'000	2012 SGD $'000
Cash and cash equivalents	2,811	827
Trade receivables	370	434
Trade payables	(284)	(233)
	2,897	**1,028**

Sensitivity

As the foreign exchange risk eventuates due to a net investment in a foreign operation any exchange differences shall be recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment. As a result if the Australian dollar weakened/strengthened by 5% against the Singapore dollar with all other variables held constant, the Group's post tax profit for the year would not change due to any exchange differences being taken to other comprehensive income. Other components of equity would have been $156,150 higher / $156,150 lower (2012 - $43,078 higher/ $43,078 lower) had the Australian dollar weakened/strengthened by 5% against the Singapore dollar.

(b) Interest Rate Risk

Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. Group policy is to maintain between 50% - 80% of its borrowings at fixed rate using interest rate swaps to achieve this when necessary. During 2013 and 2012, the Group's borrowings at variable rates were denominated in Australian dollars.

As at the reporting date, the Group had the following variable rate borrowings and interest rate swap contracts outstanding:

	31 December 2013		31 December 2012	
	Weighted avg interest rate %	Balance $'000	Weighted avg interest rate %	Balance $'000
Cash Balance	3.31%	114,043	3.30%	21,790
Bank Loan	5.43%	(46,420)	5.50%	(49,920)
Interest rate swaps (notional principal amount)	5.70%	30,000	5.70%	30,000
Net exposure to cash flow interest rate risk		**97,623**		**1,870**

An analysis by maturities is provided in note 2 (d) below.

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rate.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the Group calculates the impact on profit and loss of a defined interest rate shift. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Group manages its cash flow interest rate risk by using floating to fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Generally, the Group raises long-term borrowings at floating rates and swaps them into fixed rates that are lower than those available if the Group borrowed at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals (mainly quarterly), the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Group sensitivity

At 31 December 2013, if interest rates had changed by -0.75%/+ 0.25% absolute from the year end rates with all other variables held constant, post-tax profit for the year would have been $94,091 higher or $31,364 lower respectively (net profit for 2012:$176,188 or $58,729 respectively). Other components of equity would have been $127,536 higher or $355,336 lower respectively (2012 $197,804 or $603,088) mainly as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings.

(c) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to trade and other debtors.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised below.

Trade debtor credit risk is managed by requiring child care fees to be paid in advance. Outstanding debtor balances are reviewed weekly and followed up in accordance with the Group's debt collection policy. Credit risk is also minimised by federal government funding in the form of child care benefits, as they are considered to be a high quality debtor.

	Consolidated	
	2013 $'000	2012 $'000
Trade receivables		
Counterparties with external credit rating		
AAA	4,235	2,105
Counterparties without external credit rating		
Receivables (current and non-current)	4,836	12,471
Total receivables	**9,071**	**14,576**
Cash at bank and short term deposits		
Counterparties with external credit rating - AA	114,043	21,790

Analysis of the ageing of receivables is performed in note 10.

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Details of financing arrangements are disclosed in note 18.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining term at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. For interest rate swaps the cash flows have been estimated using forward interest rates applicable at the end of the reporting period.

Contractual maturities of financial liabilities	Consolidated 2013 $'000						
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years	Total contractual cash flows	Carrying Amount
Non Derivative							
Bank loan	2,516	2,580	44,108	-	-	49,204	46,420
Corporate Note	2,749	2,749	5,498	16,495	74,625	102,116	70,000
Equipment loans	8	8	17	28	-	61	54
Deferred centre acquisition	422	1,658	3,187	225	1,050	6,542	6,085
Trade and other payables	34,819	-	-	-	-	34,819	34,819
Derivatives							
Net settled (interest rate swaps)	-	-	-	283	-	283	283

At 31 December 2013 the bank loan facility had an expiry of February 2015. Subsequent to year end the Group signed a revised facility agreement extending the term of the senior debt facility until March 2017. Debt covenants are in place over this facility which were met as at 31 December 2013, and are forecast to be met throughout 2014.

Contractual maturities of financial liabilities	Consolidated 2012 $'000						
	0 to 6 months	6 to 12 months	Between 1 and 2 years	Between 2 and 5 years	>5 years	Total contractual cash flows	Carrying Amount
Non Derivative							
Bank loan	1,510	1,552	3,233	50,369	-	56,664	49,920
Equipment loans	7	7	15	50	-	79	67
Deferred centre acquisition	800	950	400	-	-	2,150	2,150
Trade and other payables	21,484	-	-	-	-	21,484	21,484
Derivatives							
Net settled (interest rate swaps)	-	-	-	328	-	328	328

(e) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB 13 Fair Value Measurement: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 31 December 2013 and 31 December 2012:

At 31 December 2013 $'000	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging	-	283	-	283

At 31 December 2012 $'000	Level 1	Level 2	Level 3	Total
Liabilities				
Derivatives used for hedging	-	328	-	328

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments;
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1(j). The recoverable amounts of goodwill have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 16 for details of these assumptions and the potential impact of changes to these assumptions.

(ii) Deferred contingent consideration on acquisition of business

The Group includes the fair value of deferred contingent consideration as a liability for the acquisition of a business where it expects the earn-out target to be met during the measurement period. This judgement is based on operational due diligence and knowledge of the business trading conditions including location, occupancy and profitability at the time of settlement. If the earn out target is not met then the amount not paid of the deferred contingent consideration is taken to the income statement as a credit and the corresponding entry against the liability.

(iii) Contingent liability

The Group was a defendant in proceedings before the A.C.T Supreme Court. The proceedings related to the decision by the Company not to proceed with the purchase of two child care centres in the A.C.T. in 2008. The plaintiff was seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold child care centres which the Group had contracted to purchase. The case was heard in April 2009 and judgement has been received in favour of the Group in 2013. The Plaintiff has now appealed the decision and the appeal is likely to be heard in 2014.

(iv) Cherie Hearts (CHGI) Acquisition

The Group obtained operating control over the childcare centres that form part of the CHGI acquisition from 1 January 2013. The Company has been successful in the legal dispute and the subsequent appeal of the decision relation to the acquisition. This determination of control is based upon having the power to govern the financial and operating policies of the centres and to obtain benefits from their activities. This includes holding the licences to operate the centres and being the lessee of the properties at which the centres are located. As a result of this control the Group has accounted for the acquisition in accordance with AASB 3 which is disclosed in note 30.

NOTE 4: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the business as one Group of centres and has therefore identified one operating segment, being management of child care centres. The Board believes that whilst the Singapore operations do not constitute a separate operating segment, applying the quantitative thresholds to the results and assets of Singapore further supports that the Singapore operations are not material. The following information is in respect of the single operating segment.

- All revenue in this report was derived from external customers and relates to the single operating segment.
- The total profit represents the segment profit and all balance sheet items relate to the single operating segment.

The segment disclosure has not altered from the last Annual Report.

2013	**Australia $'000**	**Foreign Country $'000**	**Total $'000**
Revenue from external customers	264,496	10,669	275,165
Non current assets	319,545	27,021	346,566
2012			
Revenue from external customers	172,422	7,569	179,991
Non current assets	210,967	3,358	214,325

NOTE 5: REVENUE

	Consolidated	
	2013 $'000	**2012 $'000**
From continuing operations		
Sales revenue		
Revenue from child care centres	270,704	174,808
Other revenue		
Royalties	1,872	1,851
Interest *	2,039	2,368
Total revenue from operations	**274,615**	**179,027**

**Includes interest earned from loans to Key Management Personnel as disclosed in note 25.*

NOTE 6: OTHER INCOME

	Consolidated 2013 $'000	2012 $'000
Net gain on disposal of assets	-	10
Deferred consideration not payable	550	954
	550	**964**

The deferred consideration is not payable due to certain centres not achieving some, or all of the earn-out EBIT hurdle for the earn-out period. As a result, in accordance with AASB 3 business combinations, the earn-out amount not payable which was disclosed as a liability in deferred consideration has been written back to the Consolidated Income Statement.

NOTE 7: EXPENSES

	Consolidated 2013 $'000	2012 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Buildings	140	37
Vehicles	127	38
Furniture, fittings and equipment	2,862	1,982
Total Depreciation	**3,129**	**2,057**
Finance Costs		
Interest and finance charges paid/payable	4,790	2,539
Rental expenses relating to operating leases		
Minimum lease payments	30,860	20,589
Amortisation		
Facility fees	381	473
Impairment		
Intangible assets and plant and equipment	-	9
Bad & doubtful debts	423	251

NOTE 8: INCOME TAX EXPENSE

	Consolidated	
	2013 $'000	2012 $'000
(a) Income tax expense		
Current tax	15,953	8,726
Deferred tax	(2,426)	(1,066)
Income tax expense	**13,527**	**7,660**
Income tax expense is attributable to:		
Profit from continuing operations	13,527	7,660
	13,527	**7,660**
Deferred income tax expense included in income tax expense comprises:		
Increase in deferred tax assets (refer note 15)	(2,440)	(1,066)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	44,599	26,868
Tax on operations at the Australian tax rate of 30% (2012:30%)		
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:	13,380	8,060
Entertainment	66	46
Net gain on disposals	(82)	(49)
Deferred consideration not payable	(165)	(286)
Business acquisition costs	151	211
Share based payments	62	75
Other non-allowable items	238	-
Difference in overseas tax rates	(380)	(397)
Income tax expense	**13,527**	**7,660**
Weighted average tax rate	30%	29%
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting year and not recognised in net profit or loss but directly debited or credited to equity		
Net deferred tax – debited (credited) directly to equity	1,319	608
(d) Tax expense (income) relating to items of other comprehensive income		
Cash flow hedges	(13)	98

NOTE 9: CURRENT ASSETS – CASH AND CASH EQUIVALENTS

	Consolidated	
	2013 $'000	2012 $'000
Cash at bank and in hand	20,279	21,777
Deposits at call*	93,764	13
	114,043	**21,790**

*The effective average interest rate for the deposits at call was 3.71%. Included above is $13,840 used as security against the Company's bank guarantee facility (2012 - $13,440) as such this cash balance cannot currently be used for operating activities.

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Consolidated	
	2013 $'000	2012 $'000
Balance as per note 9	114,043	21,790
Term deposits held as security against bank guarantees	(14)	(13)
Balance as per Statement of Cash Flows	**114,029**	**21,777**

(b) Risk Exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

NOTE 10: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013 $'000	2012 $'000
Trade and other receivables		
Trade receivables	7,140	4,571
Allowance for impairment of receivables (note (a) below)	(258)	(148)
	6,882	**4,423**
CHGI debtor	-	7,163
GST receivable	542	353
Other debtors	2,189	772
Total trade and other receivables	**9,613**	**12,711**

(a) Impaired trade receivables

As at 31 December 2013 current trade receivables of the Group with a nominal value of $515,216 (2012 - $296,310) were assessed as impaired. The amount of the allowance for impairment was $257,608 (2012 - $148,155).

The ageing of these receivables is as follows:

	Consolidated	
	2013 $'000	2012 $'000
Up to 3 months	515	296

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

	Consolidated	
	2013 $'000	2012 $'000
Opening balance	148	25
Allowance for impairment recognised during the year	428	251
Receivables written off during the year as uncollectable	(318)	(128)
Closing balance	**258**	**148**

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

(b) Past due but not impaired

As at 31 December 2013, trade receivables of $3,445,000 (2012 - $2,486,665) were past due but not impaired. These relate to a number of customers for whom there is no recent history of default and for which full payment is expected. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2013 $'000	2012 $'000
Up to 3 months	3,295	2,356
3 to 6 months	33	42
Over 6 months	117	88
	3,445	**2,486**

The amount past due but not impaired in 2013 is greater than that of 2012 due to the increased number of centres in the Group at year end compared to the prior year.

(c) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is considered to approximate their fair value. Information concerning the credit risk of receivables is set out in note 2.

NOTE 11: CURRENT ASSETS – OTHER

	Consolidated 2013 $'000	2012 $'000
Other current assets		
Prepayments	3,005	2,611
Deposits	1,010	1,637
Deposits on acquisitions	409	12,502
Total other current assets	**4,424**	**16,750**

NOTE 12: CURRENT ASSETS – ASSETS CLASSIFIED AS HELD FOR SALE

	Consolidated 2013 $'000	2012 $'000
Current assets classified as held for sale		
Property, plant & equipment	-	56
Goodwill	-	52
Total Assets classified as held for sale	**-**	**108**

NOTE 13: NON-CURRENT ASSETS – RECEIVABLES

	Consolidated 2013 $'000	2012 $'000
Loans to Key Management Personnel or their nominees	1,640	1,865
	1,640	**1,865**

Further information relating to loans to Key Management Personnel is set out in note 25.

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Fair values

The fair values and carrying values of non-current receivables are as follows:

	2013		2012	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Loans to nominees of Key Management Personnel	1,640,000	1,640,000	1,865,034	1,865,034
	1,640,000	**1,640,000**	**1,865,034**	**1,865,034**

(c) Risk exposure

Information about the Group's exposure to credit risk and interest rate risk is provided in note 2. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of receivables.

NOTE 14: NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Buildings $'000	Vehicles $'000	Furniture,fittings and equipment $'000	Total $'000
Year ended 31 December 2013				
Opening net book amount	1,311	742	8,593	10,646
Additions through business combinations	-	24	265	289
Additions - other	3,546	370	6,801	10,717
Assets included in a disposal group classified as held for sale and other disposals	-	(41)	(458)	(499)
Depreciation charge	(140)	(127)	(2,862)	(3,129)
Exchange differences	-	-	45	45
Closing net book amount	**4,717**	**968**	**12,384**	**18,069**
At 31 December 2013				
Cost	5,046	1,480	20,637	27,163
Accumulated depreciation	(329)	(512)	(8,253)	(9,094)
Net book amount	**4,717**	**968**	**12,384**	**18,069**

Consolidated	Buildings $'000	Vehicles $'000	Furniture,fittings and equipment $'000	Total $'000
Year ended 31 December 2012				
Opening net book amount	1,348	284	6,343	7,975
Additions through business combinations	-	173	300	473
Additions - other	-	323	4,002	4,325
Assets included in a disposal group classified as held for sale and other disposals	-	-	(80)	(80)
Depreciation charge	(37)	(38)	(1,982)	(2,057)
Exchange differences	-	-	10	10
Closing net book amount	**1,311**	**742**	**8,593**	**10,646**
At 31 December 2012				
Cost	1,500	1,127	13,984	16,611
Accumulated depreciation	(189)	(385)	(5,391)	(5,965)
Net book amount	**1,311**	**742**	**8,593**	**10,646**

(a) Leasehold Improvements

Furniture, fittings and equipment includes the following amounts that are leasehold improvements:

	Consolidated	
	2013 $'000	2012 $'000
Cost	9,078	5,737
Accumulated depreciation	(2,775)	(1,744)
Net book amount	**6,303**	**3,993**

(b) Leased assets

Vehicles and furniture, fittings and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated	
	2013 $'000	2012 $'000
Cost	84	74
Accumulated depreciation	(17)	(4)
Net book amount	**67**	**70**

(c) Non-current assets pledged as security

Refer to note 19 for information on the non-current assets pledged as security by the Company and its controlled entities.

NOTE 15: NON-CURRENT ASSETS – DEFERRED TAX ASSETS

	Consolidated	
Deferred Tax Asset	2013 $'000	2012 $'000
The balance comprises temporary differences attributable to:		
Employee benefits	3,934	2,398
Cash flow hedging	85	98
Share issue transaction costs	1,719	780
	5,738	**3,276**
Other		
Doubtful debts	68	44
Accrued expenses	1,773	714
Sub total other	1,841	758
Total deferred tax assets	**7,579**	**4,034**
Deferred tax assets to be recovered within 12 months	5,857	2,961
Deferred tax assets to be recovered after more than 12 months	1,722	1,073
	7,579	**4,034**
Deferred Tax Liability		
Prepayments	(259)	(476)
Total deferred tax liability	**(259)**	**(476)**
Net Deferred Tax Asset	**7,320**	**3,558**

Movements	Consolidated Employee benefits $'000	Share Issue Transaction Costs $'000	Other $'000	Total $'000
At 1 January 2012	**1,504**	**626**	**(247)**	**1,883**
Charged to the Consolidated Income Statement	894	(357)	530	1,067
Charged directly to equity	-	510	98	608
At 31 December 2012	**2,398**	**779**	**381**	**3,558**
Charged to the Consolidated Income Statement	1,536	(393)	1,300	2,443
Charged directly to equity	-	1,332	(13)	1,319
At 31 December 2013	**3,934**	**1,718**	**1,668**	**7,320**

NOTE 16: NON-CURRENT ASSETS – GOODWILL

Goodwill	Consolidated 2013 $'000	2012 $'000
Year ended 31 December		
Opening net book amount	201,814	142,083
Additions	125,172	59,565
Adjustment in respect of prior year acquisition	516	266
Disposals	(1,017)	(202)
Exchange differences	372	102
Closing net book amount	**326,857**	**201,814**
At 31 December		
Cost	337,909	212,866
Accumulated impairment	(11,052)	(11,052)
Net book amount	**326,857**	**201,814**

(a) Impairment tests for goodwill

Goodwill is tested for impairment on an operating segment level as outlined in note 1(j). The recoverable amount of the child care centre assets in the segment is determined based on value-in-use calculations. These calculations use cash flow projections based on budgets for 2014 and then extrapolated using estimated growth rates. The growth rate does not exceed the long-term average growth rate for the business in which the segment operates. For the purposes of goodwill impairment testing, the recoverable amount is compared to the carrying amount of the assets of the Group of cost generating units that comprise the operating segment, which aside from goodwill, also includes the fixed assets of the childcare centres.

(b) Key assumptions used for value-in-use calculation

The value in use calculation is based on forecast EBITDA which is a function of occupancy, child care fees and centre expenses. Occupancy and child care fees are based on the current market conditions plus anticipated annual increases. Centre expenses include the following key items:

- Centre wages – based on industry award standards and forecast to increase by a 3% index annually;
- Centre occupancy expenses – based on current operating leases and increased by a 4% index annually; and
- Other child care expenses – driven by historical expenditure and future occupancy growth.

The anticipated occupancy reflects seasonal factors and underlying growth in occupancy achieved from the implementation of the Group's strategies. Economic occupancy levels represent the key to financial success for the Group given the largely fixed cost-base of child care centres.

The impairment model has the following key attributes;

- Pre-tax discount rate of 13% (WACC);
- Full head office costs allocation; and
- Forecast period of 5 years plus a terminal growth calculation with a growth rate of 0%.

(c) Impairment charge

As a result of the value in use calculations described above it was determined that no impairment was required to be recognised.

AASB 136 Impairment requires the Group to recognise an impairment loss if the recoverable amount of an asset is less than its carrying amount. For an impairment loss to be recognised key assumptions have been assessed to identify what level of movement would give rise to an impairment write down.

Sensitivity Analysis on Impairment calculations as at 31 December	**Profit Impact 2013 $'000**
Movement in WACC (+ 5%)	-
Movement in WACC (-5%)	-
Movement in EBITDA (+ 5%)	-
Movement in EBITDA (- 5%)	-

NOTE 17: CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	Consolidated 2013 $'000	2012 $'000
Trade payables	4,627	4,517
Deferred centre acquisitions	4,984	2,150
Dividends payable	10,511	4,921
Centre enrolment advances	4,257	3,112
Other payables and accruals	10,330	4,825
Income received in advance	5,116	4,109
	39,825	**23,634**

NOTE 18: CURRENT AND NON – CURRENT LIABILITIES - BORROWINGS

	2013			2012		
	Current $'000	Non-current $'000	Total $'000	Current $'000	Non-current $'000	Total $'000
Secured						
Bank loans	3,778	41,931	45,709	2,720	46,532	49,252
Total secured borrowings	**3,778**	**41,931**	**45,709**	**2,720**	**46,532**	**49,252**
Unsecured						
Corporate Note (a)	-	68,505	68,505	-	-	-
Total unsecured borrowings	**-**	**68,505**	**68,505**	**-**	**-**	**-**
Total Borrowings	**3,778**	**110,436**	**114,214**	**2,720**	**46,532**	**49,252**

(a) Corporate Note

G8 Education Limited issued a Corporate Note in August 2013 raising $70 million less transaction costs of $1.5 million. The Notes are unsecured and have a 6 year term from issue date, maturing in August 2019. An annual coupon rate of 7.65% is paid semi-annually in arrears.

(b) Interest rate risk exposures

Details of the Group's exposure to interest rate changes on borrowings are set out in note 2(a).

(c) Fair value disclosures

The carrying amounts and fair values of borrowings at balance dates are as reflected in the Balance Sheet.

(d) Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2013 $'000	2012 $'000
Bank loan	45,709	49,252
Total secured liabilities	**45,709**	**49,252**

The bank loan amount disclosed above is classified as non-current due to the following;

- Facility agreement was signed on 23 February 2012 and was in place for a three year term. No annual review clauses of debt facility are in the facility agreement;
- The Group has met all covenants as at 31 December 2013 and is forecast to meet the covenants over the facility term; and
- In the opinion of the Directors no material adverse events have occurred that would cause the debt facility to be reviewed.

Subsequent to year end and prior to authorising the financial statements the Group secured an extension to the facility agreement for a further 3 year term making the facility end date March 2017.

(e) Assets pledged as security

The debt facility of the Group is secured by:

- A fixed and floating charge over all the assets of the Company and its subsidiaries;
- First ranking registered mortgages over all leasehold property owned by the Group;
- An unlimited guarantee in favour of the Company from its subsidiaries; and
- A right of entry in relation to certain leased premises.

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

	Notes	Consolidated 2013 $'000	2012 $'000
Current			
First mortgage			
Current assets classified as held for sale	12	-	108
Floating charge			
Cash and cash equivalents	9	114,043	21,790
Trade and other receivables	10	9,613	12,711
Other current assets	11	4,424	16,750
Total current assets pledged as security		**128,080**	**51,359**
Non-current			
First mortgage			
Buildings	14	4,717	1,311
Floating charge			
Vehicles, plant and equipment	14	13,352	9,335
Other receivables	13	1,640	1,865
Total non-current assets pledged as security		**19,709**	**12,511**
Total assets pledged as security		**147,789**	**63,870**

Financing arrangements

As at 31 December 2013 the following lines of credit were in place:

	Consolidated 2013 $'000	2012 $'000
Credit standby arrangements		
Total facilities		
Credit cards	500	250
Asset finance-leasing	250	250
	750	**500**
Used at balance date		
Credit cards	86	54
Asset finance-leasing	54	67
	140	**121**
Unused at balance date		
Credit cards	414	196
Asset finance-leasing	196	183
	610	**379**
Bank loan facilities		
Total facilities	50,000	50,000
Used at balance date	(46,420)	(49,920)
Unused at balance date	**3,580**	**80**
Bank Guarantee facilities		
Total Facilities	15,000	6,826
Used at Balance date	(13,974)	(6,735)
Unused at balance date	**1,026**	**91**
Corporate Note		
Total facilities	70,000	-
Used at balance date	(70,000)	-
Unused at balance date	-	-

(f) Interest rate risk exposure

Information about the Group's exposure to interest rate changes is provided in note 2.

(g) Fair value

The carrying amounts and fair values of borrowings at balance dates are as reflected in the Balance Sheet.

NOTE 19: EMPLOYEE ENTITLEMENTS

	Consolidated	
	2013 $'000	**2012 $'000**
Employee benefits	11,214	7,471
	11,214	**7,471**

(a) Amounts not expected to be settled within the next 12 months

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave, it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the annual leave provision is presented as current since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2013 $'000	**2012 $'000**
Leave obligation expected to be settled after 12 months	538	358
	538	**358**

NOTE 20: DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2013 $'000	**2012 $'000**
Non-Current Liability		
Interest rate swap contracts - cash flow hedges (a)	283	328
Total non-current derivative financial instrument liability	**283**	**328**

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 2).

Interest rate swap contracts – cash flow hedges

Bank loans of the Group currently have an average variable interest rate of 5.43%. It is policy to protect part of the loans from exposure to increasing interest rates. Accordingly, the Group has entered into an interest rate swap contract under which it is obligated to receive interest at variable rates and to pay interest at fixed rates.

The swap currently in place covers approximately 65% (2012 – 60%) of the variable loan principal outstanding. The fixed interest rates are 5.7% (2012 – 5.7%) and the variable rates are 2.3% above the 90 day bank bill rate which at the end of the reporting period was 2.65%.

The contracts require settlement of net interest receivable or payable each 90 days. The settlement dates coincide with the dates on which interest is payable on the underlying debt. The contracts are settled on a net basis.

The gain or loss from re-measuring the hedging instruments at fair value is recognised in other comprehensive income and deferred in equity in the hedging reserve, to the extent that the hedge is effective. It is reclassified into the profit or loss when the hedged interest expense is recognised. In the year ended 31 December 2013 no amount was reclassified into the profit or loss (2012 :Nil). There was no hedge ineffectiveness in the current or prior year.

NOTE 21: NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2013 $'000	2012 $'000
Employee benefits	1,974	1,073
	1,974	**1,073**

NOTE 22: CONTRIBUTED EQUITY

(a) Share capital

	Consolidated		Consolidated	
	2013 Shares	2012 Shares	2013 $'000	2012 $'000
Ordinary shares fully paid	300,302,719	246,048,593	302,001	180,160

(b) Movements in ordinary share capital

Details	Number of Shares	$'000
31 December 2011 Balance	**187,418,479**	**117,829**
Share placement to institutions and professional investors	30,790,000	35,409
Share Purchase Plan to retail investors	9,156,885	10,530
Shares issued to vendors during the year	12,000,000	11,930
Shares issued to Key Management Personnel	2,142,857	1,691
Dividend reinvestment plan	4,540,372	3,962
Transaction costs of shares issued	-	(1,191)
31 December 2012 Balance	**246,048,593**	**180,160**
31 December 2012 Balance	**246,048,593**	**180,160**
Share placement to institutions and professional investors	50,137,931	115,600
Fair value adjustment on shares issued to Key Management Personnel	-	223
Exercise of Options	200,000	298
Dividend reinvestment plan	3,916,195	8,829
Transaction costs of shares issued	-	(3,109)
31 December 2013 Balance	**300,302,719**	**302,001**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(d) Options

Information relating to the options issued, exercised and lapsed during the year and options outstanding at the end of the financial year are as disclosed in note 25. Nil options were outstanding at 31 December 2013 (2012: 400,000)

(e) Dividend reinvestment plan

The Company has established a dividend reinvestment plan under which holders of ordinary shares may elect to have all or part of their dividend entitlements satisfied by the issue of new ordinary shares. Shares are issued under the plan. The Company advises the market at the time of announcing the dividend if there will be a discount applied to the market price.

(f) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'borrowings' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2013 were as follows:

		Consolidated	
	Notes	2013 $'000	2012 $'000
Total borrowings	17,18	154,799	72,886
Less: cash and cash equivalents		(114,043)	(21,790)
Net debt		40,756	51,096
Total equity		304,786	182,308
Total capital		**345,542**	**233,404**
Gearing ratio		**12%**	**22%**

The Directors assess an appropriate level of gearing based on a leverage rate of less than 40%.

The Group has complied with the financial covenants of its borrowing facilities during the 2013 and 2012 reporting periods.

NOTE 23: RESERVES AND RETAINED EARNINGS

	Consolidated 2013 $'000	Consolidated 2012 $'000
Reserves		
Share-based payments	-	59
Foreign currency translation	3,287	72
Profits Reserve	15,768	8,146
Cash flow hedges	(171)	(229)
Total Reserves	**18,884**	**8,048**
Movements		
Share-based payments		
Opening balance	59	-
Employee share options exercised	-	-
Employee share option expense	(59)	59
Closing balance	**-**	**59**
Foreign currency translation		
Opening balance	72	(789)
Currency translation differences arising during the year	3,215	861
Closing balance	**3,287**	**72**
Profit Reserves		
Opening Balance	8,146	3,127
Transfer from retained earnings	41,271	20,106
Dividends	(33,649)	(15,087)
Closing Balance	**15,768**	**8,146**
Cash flow hedges		
Opening balance	(229)	-
Revaluation - gross	45	(327)
Deferred tax	13	98
Closing balance	**(171)**	**(229)**

	Consolidated 2013 $'000	Consolidated 2012 $'000
Retained earnings movements		
Opening balance	(5,900)	(5,003)
Profit for the year	31,072	19,209
Transfer to profits reserve	(41,271)	(20,106)
Closing balance	**(16,099)**	**(5,900)**

(a) Nature and purpose of reserves

(i) Share-based payments

The share-based payments reserve is used to recognise the expensing of the grant date fair value of options issued to employees but not exercised;

(ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(e) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iii) Cash flow hedges

The hedging reserve is used to record gains or losses on hedging instruments in cash flow hedges that are recognised in other comprehensive income, as described in note 1(o). Amounts are reclassified to profit or loss when the associated hedge transaction affects profit or loss.

(iv) Profits Reserve

The profits reserve comprises the transfer of net profit for the current and previous years and characterises profits available for distribution as dividends in future years. Dividends amounting to $33,649 thousand (2012: $15,087 thousand) were distributed from the profits reserve during the year.

NOTE 24: DIVIDENDS

(a) Ordinary Shares

	2013 $'000	2012 $'000
Dividend for the quarter ended 31 March 2013 of 2.5 cent per share (2012: 1.5 cent per share) paid on 11 April 2013 (2012: Paid on 12 April 2012).	6,773	3,003
Dividend for the quarter ended 30 June 2013 of 3.0 cent per share (2012: 1.5 cent per share) paid on 10 July 2013 (2012: Paid on 9 July 2012).	8,165	3,057
Dividend for the quarter ended 30 September 2013 of 3.0 cent per share (2012: 2.0 cent per share) paid on 11 October 2013 (2012: Paid on 9 October 2012).	8,202	4,106
Dividend for the quarter ended 31 December 2013 of 3.5 cent per share (2012: 2.0 cent per share) paid on 10 January 2014 (2012: Paid 11 January 2013).^	10,509	4,921
	33,649	**15,087**

	2013 $'000	2012 $'000
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan during the years ended 31 December 2013 and 2012 were as follows:^		
Paid in cash	21,859	10,407
Satisfied by issue of shares	11,790	4,680
	33,649	**15,087**
Average Dividend Reinvestment Plan take up	**35%**	**31%**

^ The total dividends for the 31 December 2013 year was $28.06 million as the dividend for the quarter ended 31 December 2013 was paid on 10 January 2014 and the dividend for the quarter ended 31 December 2012 was paid on 11 January 2013.

(b) Franked credits

The franked portions of the December 2013 quarterly dividend will be franked out of existing franking credits.

	Consolidated		Parent Entity	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	8,532	7,406	8,532	7,406

The above amounts represent the balance of the franking account as at the end of the reporting period, adjusted for:

a) Franking credits that will arise from the payment of the amount of the provision for income tax;
b) Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
c) Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

The consolidated amounts include franking credits that would be available to the parent entity if the distributable profits of subsidiaries were paid as dividends.

NOTE 25: KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of G8 Education Limited during the financial year:

(i) Chairperson –Independent non-executive

J J Hutson

(ii) Executive Directors

C J Scott

(iii) Non-executive directors

B H Bailison
A P S Kemp
S M Forrester
M Reynolds (retired 30 April 2013)

(b) Other Key Management Personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
K R Lacey	Chief Executive Officer (resigned 16 January 2013)	G8 Education Limited
C P Sacre	Chief Operating and Financial Officer and Company Secretary	G8 Education Limited
J D Fraser	General Manager – Operations	G8 Education Limited

(c) Key Management Personnel compensation

	Consolidated	
	2013 $	2012 $
Short term employee benefits	1,146,321	1,258,799
Post employment benefits	69,706	80,407
Share based payments	223,155	250,174
Termination payments	50,000	61,191
	1,489,182	**1,650,571**

The relevant information on detailed remuneration disclosures can be found in sections A-C of the Remuneration Report on pages 18 to 21.

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in Section D of the Remuneration Report on page 22.

(ii) Option holdings

The number of options over ordinary shares in the Company held during the financial year by each Director of G8 Education Limited and other key personnel of the Group, including their associates, are set out in the following table:

2013

Nil options were issued to Directors or other Key Management Personnel during 2013 (2012: 400,000).

Name	Balance at start of year	Granted as compensation	Exercised	Cancelled	Balance at end of the year	Vested and exercisable	Unvested
K R Lacey (resigned 16 January 2013)*	400,000	-	200,000	200,000	Nil	-	-

2012

Other Key Management Personnel of the Group

Name	Balance at start of year	Granted as compensation	Exercised	Cancelled	Balance at end of the year	Vested and exercisable	Unvested
K R Lacey (resigned 16 January 2013)*	-	400,000	-	-	400,000	-	-

** The options issued to K R Lacey on 27 September 2012 are disclosed in detail in section D of the Remuneration Report on pages 16-17. 200,000 options were cancelled post year end at the time of the resignation of K R Lacey on 16 January 2013.*

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each Director of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below. There were no shares issued during the reporting year as compensation.

2013

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J J Hutson^	800,000	-	850,000	1,650,000
C J Scott^	2,000,000	-	-	2,000,000
B H Bailison	-	-	-	-
A P S Kemp	103,043	-	-	103,043
S M Forrester	-	-	-	-
M Reynolds (retired 30 April 2013)	14,695	-	-	14,695
Other Key Management Personnel of the Group				
Ordinary Shares				
K R Lacey#	-	200,000	-	200,000
C P Sacre^	1,285,714	-	-	1,285,714
J D Fraser^	860,488	-	-	860,488

2012

Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of G8 Education Limited				
Ordinary Shares				
J J Hutson^	800,000	-	-	800,000
C J Scott^	2,000,000	-	-	2,000,000
B H Bailison	-	-	-	-
A P S Kemp	90,000	-	13,043	103,043
S M Forrester	-	-	-	-
M Reynolds	-	-	14,695	14,695
Other Key Management Personnel of the Group				
Ordinary Shares				
K R Lacey#	-	-	-	-
C P Sacre^**	500,000	-	785,714	1,285,714
D T Peters*	-	-	-	-
J D Fraser^	3,345	-	857,143	860,488

 # K R Lacey was Chief Executive Officer until her resignation on 16 January 2013
^ Shares held by nominee
** D T Peters was Chief Financial Officer until his resignation on 27 September 2012*
***C P Sacre sold 500,000 shares during 2012 and his nominee acquired 1,285,714.*

Loans to Key Management Personnel

Details of loans made to directors of G8 Education Limited and other Key Management Personnel of the Group, including their associates, are set out below.

(i) Aggregates for Key Management Personnel

Group	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Number in Group at the end of the year
2013	1,865,034	102,408	-	1,640,000	3
2012	838,413	70,205	-	1,865,034	3

(ii) Individuals with loans above $100,000 during the financial year

2013

Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
C J Scott	342,349	9,450	-	140,000	342,349
C P Sacre	913,611	54,000	-	900,000	913,611
J D Fraser	609,074	38,958	-	600,000	609,074

2012

Name	Balance at the start of the year $	Interest paid and payable for the year $	Interest not charged $	Balance at the end of the year $	Highest indebtedness during the year $
C J Scott	441,372	20,643	-	342,349	449,365
C P Sacre	-	29,737	-	913,611	913,611
J D Fraser	-	19,825	-	609,074	609,074

Loans outstanding at the end of the current year, made to current directors and other Key Management Personnel of the Group include a secured loan to the nominee of Mr C J Scott of $700,000, Mr C P Sacre of $900,000 and Mr J D Fraser of $600,000 all of which were made for a period of three years and are repayable in full on 25 April 2015. Interest is payable on these loans at the rate of 6% per annum. Dividends paid for the shares issued under the loan agreement are used to repay loan interest. The loans are full recourse and were issued to align executive interests with shareholders.

No write-downs or allowances for doubtful receivables have been recognised in relation to any loans made to Key Management Personnel.

(e) Other transactions with Key Management Personnel

Details of material transactions and their impact on the financial statements exclusive of GST at year end that Key Management Personnel and their related entities had with the Group during the year are as follows:

The following transactions occurred with Mr C J Scott up until 31 December 2013:

Mr C J Scott (Managing Director) who had the following transactions:		2013 $	2012 $
a) Interest charged on share loan agreement	Revenue Interest income	9,450	20,643
b) Loan granted to nominee of Mr C J Scott to purchase 2,000,000 shares G8 Education Limited for a total amount of $700,000 plus accrued interest less repayments	Non-current receivables	140,000	342,349

A loan was granted to issue 2,000,000 shares to Mr C J Scott's nominee on 18 May 2010 at $0.35. The loan was for a period of 2 years at 6% per annum. The loan was extended for a further three year term to expire in April 2015. The extension of the loan was approved by shareholders at the Annual General Meeting held in April 2012. The interest on the loan is to be capitalised and repaid at the end of the three year extended term. Dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction.

The following transactions occurred with Mr C P Sacre up until 31 December 2013:

Mr C P Sacre (Chief Operating and Financial Officer) who had the following transactions:		2013 $	2012 $
a) Interest charged on share loan agreement	Revenue Interest income	54,000	29,737
b) Loan granted to nominee of Mr C P Sacre to purchase 1,285,714 shares G8 Education Limited for a total amount of $900,000 plus accrued interest less repayments	Non-current receivables	900,000	913,611
c) Share based payment expense for the difference in market price of the shares issued in (b) above compared to loan value	Employment Expenses Equity	133,893	114,562
d) Issue of 1,285,714 shares to nominee of Mr C P Sacre as described in (b) above	Equity Contributed Equity	-	1,014,562

A loan was made to enable subscription for 1,285,714 shares by Mr C P Sacre's nominee on 14 June 2012 at $0.70 per share. The loan is for a period of three years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the three year term. Dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.95 and as a result the difference between the agreed price of $0.70 and the price on issue date has been taken to employment expenses and equity as a share based payment.

The following transactions occurred with Mr J D Fraser up until 31 December 2013:

Mr J D Fraser (General Manager of Operations) who had the following transactions:		2013 $	2012 $
a) Interest charged on share loan agreement	Revenue Interest income	38,958	19,825
b) Loan granted to nominee of Mr J D Fraser to purchase 857,143 shares G8 Education Limited for a total amount of $600,000 plus accrued interest less repayments	Non-current receivables	600,000	609,074
c) Share based payment expense for the difference in market price of the shares issued in (b) above compared to loan value	Employment Expenses Equity	89,262	76,375
d) Issue of 857,143 shares to nominee of Mr J D Fraser as described in (b) above	Equity Contributed Equity	-	676,375

A loan was made to enable subscription for 857,143 shares by Mr J D Fraser's nominee on 14 June 2012 at $0.70 per share. The loan is for a period of three years at 6% per annum. The interest on the loan is to be capitalised and repaid at the end of the three year term. Dividend payments from the Group will be utilised to repay interest repayments and/or debt reduction. The fair value of the shares on issue date was $0.95 and as a result the difference between the agreed price of $0.70 and the price on issue date has been taken to employment expenses and equity as a share based payment.

Karenlee Lacey (Chief Executive Officer - resigned 16 January 2013) who had the following transactions:	2013 $	2012 $
k) Share based payment expense in relation to options	-	59,237

(f) The aggregate value of transactions with Key Management Personnel is:

	Consolidated	
	2013 $	2012 $
Revenue		
Interest income	102,408	70,205
Expenses		
Employment expense	223,155	250,174
Current assets		
Trade and other receivables	-	-
Non Current assets		
Receivables	1,640,000	1,865,034
Equity		
Contributed equity	-	1,690,937

NOTE 26: REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	Consolidated	
	2013 $	2012 $
1. Audit services		
HLB Mann Judd		
Audit and review of financial reports – half year	57,750	55,000
Audit and review of financial reports – year end	102,500	90,500
Total Remuneration for audit services	**160,250**	**145,500**

	Consolidated	
	2013 $	2012 $
1. Non-audit services		
HLB Mann Judd		
Taxation Services	23,330	21,771
Total Remuneration for non-audit services	**23,330**	**21,771**

It is the Group's practice to employ HLB Mann Judd on assignments additional to their statutory audit duties where HLB Mann Judd's expertise and experience with the Group are important. These assignments are principally tax advice, or where HLB Mann Judd is awarded assignments on a competitive basis. It is the Group's policy to seek competitive tenders for all major consulting projects.

NOTE 27: CONTINGENCIES

(a) Contingent liabilities

The Group had contingent liabilities at 31 December 2013 in respect of:

Australia – The Group was a defendant in proceedings before the A.C.T Supreme Court. The proceedings related to the decision by the Company not to proceed with the purchase of two child care centres in the A.C.T. in 2008. The plaintiff was seeking an order that the Company perform the contracts of $3.9m, being the price of the two leasehold child care centres which the Group had contracted to purchase. The case was heard in April 2009 and judgement has been received in favour of the Group. The Plaintiff has now appealed the decision and the appeal is likely to be heard in 2014.

NOTE 28: COMMITMENTS

(a) Capital commitments

There is no capital expenditure contracted for at the reporting date but not recognised as a liability.

(b) Lease commitments : Group as lessee

(i) Non-cancellable operating leases for premises and vehicles

The Group leases various childcare facilities under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the tems of the leases are re-negotiated.

	Consolidated	
	2013 $'000	**2012 $'000**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Payable:		
Within one year	37,240	26,014
Later than one year but no later than five years	121,340	92,180
Later than five years	76,666	52,973
	235,246	**171,167**
Representing:		
Non-cancellable operating leases	235,246	171,167

(ii) Finance Leases

	Consolidated	
	2013 $'000	**2012 $'000**
Commitments in relation to vehicle finance leases are payable as follows:		
Within one year	17	17
Later than one year but no later than five years	45	62
Minimum lease payments	**62**	**79**
Future finance charges	(8)	(12)
Total lease liabilities	**54**	**67**
Representing lease liabilities:		
Current	14	13
Non-current	40	54
	54	**67**

NOTE 29: RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity within the Group is G8 Education Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 32.

(c) Key Management Personnel

For details of transactions that Key Management Personnel and their related entities had with the Group during the year refer note 25 (e) and (f).

(d) Outstanding balance arising from transactions with related parties

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

	Consolidated	
	2013 $'000	2012 $'000
Non-Current receivables *(share purchase loan)*		
Key Management Personnel	1,640	1,865
Current payables *(purchase of goods and services)*		
Key Management Personnel	23	-

No provisions for doubtful debts have been raised in relation to any outstanding balances, and no expense has been recognised in respect of bad or doubtful debts due from related parties. All transactions with related parties during the year were made on normal commercial terms and conditions. Outstanding balances are secured and are repayable in cash.

NOTE 30: BUSINESS COMBINATIONS

Current Period

The acquisitions below have increased the Group's market share and are expected to reduce costs per centre through economies of scale. The goodwill is attributable to the future profitability of the acquired businesses.

State	VIC/NSW/ QLD/ACT/SA	NSW	VIC	NSW	VIC	NSW	VIC	NSW	VIC/TAS/ NSW	VIC	SINGAPORE	TOTAL
Number of Centres	26	10	2	3	1	8	1	3	20	2	10	**86**
Date of Acquisition - 2013	Apr - Dec	April	May	June	July	July	November	November	December	December		
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Purchase Consideration												
Cash consideration	26,924	12,078	3,320	3,296	2,380	10,821	1,095	11,500	22,569	3,041	23,110	**120,134**
Contingent consideration	660	-	400	-	400	-	831	-	2,800	-	-	**5,091**
Purchase price adjustments	(1,475)	(456)	(236)	(95)	(87)	(407)	(84)	-	(1,497)	-	-	**(4,337)**
Total Purchase Consideration	**26,109**	**11,622**	**3,484**	**3,201**	**2,693**	**10,414**	**1,842**	**11,500**	**23,872**	**3,041**	**23,110**	**120,888**
Assets & Liabilities acquired at fair value												
Property, Plant & Equipment	57	-	-	-	-	13	3	50	166	-	-	**289**
Payables	(417)	(154)	(114)	(6)	(36)	(198)	-	-	(314)	-	-	**(1,239)**
Employee benefit liabilities	(1,218)	(336)	(198)	(111)	(61)	(254)	(96)	-	(1,403)	-	-	**(3,678)**
Net identifiable assets / (liabilities) acquired	(1,578)	(490)	(312)	(117)	(96)	(439)	(93)	50	(1,552)	-	-	**(4,628)**
Amounts held in trust pending final adjustments	185	-	-	-	-	-	-	-	-	160	-	**345**
Goodwill	27,502	12,112	3,796	3,318	2,790	10,853	1,935	11,450	25,424	2,881	23,110	**125,171**
	26,109	**11,622**	**3,484**	**3,201**	**2,693**	**10,414**	**1,842**	**11,500**	**23,872**	**3,041**	**23,110**	**120,888**
Revenue & profit contribution												
Revenue	10,848	7,275	3,247	1,814	1,072	3,526	300	1,253	1,739	99	6,101	**37,274**
Profit Before Tax	1,549	1,602	831	490	323	1,163	113	437	208	49	2,227	**8,895**
Acquisition Related Costs	278	6	16	-	-	-	-	-	-	-	-	**300**

*Cash for the Singapore acquisition was paid in prior years. G8 Education Ltd took control of these centres from 1 January 2013. Refer to note 3; Critical Accounting Estimates and Judgements. Conribution from the acquisitions listed above for both revenue and profit for the year ended 31 December 2013, had the acquisitions settled on 1 January 2013 is impractible to quantify.

Contingent consideration

Where the Group has a contingent consideration in the table above the Group has a contractual liability to pay the former owner of the centre a deferred cash payment in the event that the centre based EBIT exceeds the contractual threshold for the 12 months post settlement refer to note 17.

At 30 June 2013 the Group had provisionally accounted for a contingent cash consideration of $2.1 million across two acquisitons. Immediately upon settlment it became evident that the contingent cash consideration would not be met and as a result the amount has been reclassified from deferred consideration payable to goodwill.

NOTE 31: PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 31 December 2013 the parent entity of the Group was G8 Education Limited.

Result of parent entity	2013 $'000	2012 $'000
Profit for the year after tax	41,436	3,795
Other comprehensive income	45	(229)
Total comprehensive income for the year	**41,481**	**3,566**
Financial position of parent entity at year end		
Current assets	144,397	46,916
Non-current assets	326,341	205,616
Total assets	**470,738**	**252,532**
Current liabilities	59,811	33,033
Non-current liabilities	113,152	68,619
Total liabilities	**172,963**	**101,652**
Total equity of parent entity comprising of:		
Contributed equity	302,001	180,160
Reserves	15,761	4,848
Accumulated losses	(19,987)	(34,128)
Total equity	**297,775**	**150,880**

Parent entity contingencies

Refer to note 27 for parent entity contigent liabilities .

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 33.

NOTE 32: SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity holding * 2013 %	Equity holding * 2012 %
Subsidiaries of Company				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	52	52
Togalog Pty Ltd	Australia	Ordinary	100	100
RBWOL Holding Pty Ltd**	Australia	Ordinary	100	100
Ramsay Bourne Holdings Pty Limited**	Australia	Ordinary	100	100
Bourne Learning Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.1) Pty Limited	Australia	Ordinary	100	100
Ramsay Bourne Acquisitions (No.2) Pty Limited**	Australia	Ordinary	100	100
RBL No. 1 Pty Ltd	Australia	Ordinary	100	100
Ramsay Bourne Licences Pty Limited	Australia	Ordinary	100	100
Sydney Cove Children's Centre Pty Ltd	Australia	Ordinary	100	-
Sydney Cove Children's Centre B Pty Ltd	Australia	Ordinary	100	-
Sydney Cove Children's Centre C Pty Ltd	Australia	Ordinary	100	-
Sydney Cove Property Holdings Pty Ltd	Australia	Ordinary	100	-
World Of Learning Pty Limited**	Australia	Ordinary	100	100
World Of Learning Acquisitions (No.1) Pty Limited	Australia	Ordinary	100	100
World Of Learning Acquisitions Pty Limited	Singapore	Ordinary	100	100
World Of Learning Licences Pty Limited	Singapore	Ordinary	100	100
G8 KP Pty Ltd**	Singapore	Ordinary	100	100
G8 Singapore Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Corporate Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts Holdings Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SC Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ YS Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ KK Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ TM Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ SK Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors @ PGL Pte Ltd	Singapore	Ordinary	100	100
Cherie Hearts @ Gombak Pte Ltd	Singapore	Ordinary	100	100
Bright Juniors Pte Ltd	Singapore	Ordinary	100	100
Subsidiaries of Togalog Pty Ltd				
Grasshoppers Early Learning Centre Pty Ltd	Australia	Ordinary	48	48

** The proportion of ownership interest is equal to the proportion of voting power held.*

*** These subsidaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investment Commission. For futher information please refer to note 33.*

NOTE 33: DEED OF CROSS GUARANTEE

G8 Education Limited, Grasshoppers Early Learning Centre Pty Ltd, Togalog Pty Ltd, RBWOL Holding Pty Ltd (Formerly Payce Child Care Pty Ltd), Ramsay Bourne Holdings Pty Ltd, Bourne Learning Pty Ltd (Formerly Ramsay & Bourne Pty Ltd), Ramsay Bourne Acquisitions (No.1) Pty Ltd, Ramsay Bourne Acquisitions (No.2) Pty Ltd, RBL (No. 1) Pty Ltd, Ramsay Bourne Licences Pty Ltd, World Of Learning Pty Ltd, World Of Learning Acquisitions (No.1) Pty Ltd, World Of Learning Acquisitions Pty Ltd, World Of Learning Licences Pty Ltd and G8 KP Pty Ltd are parties to a deed of cross guarantee under which each Company guarantees the debts of the others. By entering into the deed RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd, and Ramsay Bourne Acquisitions (No 2) Pty Ltd have been relieved from the requirement to prepare a Financial Report and Directors' Report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission.

(a) Consolidated statements of comprehensive income

G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd represent a 'closed group' for the purposes of the Class Order. The other parties to the deed of cross guarantee listed above do not require relief from Class Order 98/1418 as they do not meet the threshold to prepare a financial report and Directors' Report. All parties to the deed of cross guarantee (as listed above) are wholly owned subsidiaries of G8 Education Limited and the entire Group represent the 'extended closed group'.

Set out below is a consolidated statement of comprehensive income for the year ended 31 December 2013 of the closed group consisting of G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd.

	2013 $'000	2012 $'000
Revenue from continuing operations	260,550	163,469
Other Income	550	964
Expenses		
Employee benefits expense	(152,272)	(99,628)
Occupancy	(30,691)	(20,907)
Direct costs of providing services	(20,342)	(12,625)
Legal fees	(733)	(784)
Amortisation	(381)	(473)
Depreciation expense	(2,894)	(1,892)
Impairment	-	(9)
Insurance	(669)	(504)
Other Expenses	(5,228)	(3,822)
Finance costs	(4,790)	(2,539)
Total expenses	**(218,000)**	**(143,182)**
Profit before income tax	43,100	21,251
Income tax (expense)	(13,619)	(6,991)
Profit for the year	**29,481**	**14,260**
Other Comprehensive income for the year, net of Tax	45	(229)
Total Comprehensive income for the year	**29,526**	**14,031**

(b) Balance Sheets

Set out below is a consolidated balance sheet as at 31 December 2013 of the closed group consisting of G8 Education Limited, RBWOL Holding Pty Ltd, World of Learning Pty Ltd, G8 KP Pty Ltd, Ramsay Bourne Holding Pty Ltd and Ramsay Bourne Acquisitions (No 2) Pty Ltd.

	2013 $'000	2012 $'000
Current assets		
Cash and cash equivalents	110,500	21,009
Trade and other receivables	9,246	12,212
Other current assets	25,297	15,891
Assets classified as held for sale	-	108
Total current assets	**145,043**	**49,220**
Non-current assets		
Receivables	1,640	1,865
Investments in extended Group	9,010	8,698
Property, plant and equipment	16,960	9,834
Deferred tax assets	7,320	3,558
Intangible assets	290,101	192,401
Total non-current assets	**325,031**	**216,356**
Total assets	**470,074**	**265,576**
Current liabilities		
Trade and other payables	38,135	22,520
Borrowings	3,778	3,013
Provisions	11,088	7,199
Derivative Liability	283	328
Current tax liabilities	8,865	4,645
Total current liabilities	**62,149**	**37,705**
Non-current liabilities		
Borrowings	110,436	46,239
Other payables	760	-
Borrowings from extended group	-	6,628
Provisions	1,954	1,041
Total non-current liabilities	**113,150**	**53,908**
Total liabilities	**175,299**	**91,613**
Net assets	**294,775**	**173,963**
Equity		
Contributed equity	302,001	180,160
Reserves	15,761	(170)
Accumulated losses	(22,987)	(6,027)
Total equity	**294,775**	**173,963**

NOTE 34: EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

The following material matters have taken place subsequent to year end:

- The Group announced the proposed acquisition of 63 childcare centres for $104.67m
- The Group signed a revised facility agreement with Bank of Western Australia which extends the term of the senior debt facility until March 2017.

NOTE 35: RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Consolidated	
	2013 $'000	**2012 $'000**
Profit for the year	31,072	19,209
Depreciation and amortisation	3,510	2,530
Impairment expense	-	9
Net gain on sale of operations	824	(10)
Write back of deferred consideration not payable	(550)	(954)
Increase in borrowing cost prepayments	30	379
Tax benefit on equity – non cash	1,319	608
Increase in trade and other debtors	(2,746)	(5,440)
Increase in deferred tax asset	(3,762)	(1,675)
Increase in trade and other payables	5,049	4,802
Increase in other provisions	4,644	704
Non-cash employee benefits expense - share based payments	208	250
Increase in provision for income taxes payable	3,734	1,296
Interest income	(557)	(1,755)
Net exchange differences	260	-
Net cash inflows from operating activities	**43,035**	**19,953**

NOTE 36: EARNINGS PER SHARE

	Consolidated	
	2013 Cents	2012 Cents
(a) Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company	11.28	8.95
(b) Diluted earnings per share		
Profit from continuing operation attributable to the ordinary equity holders of the Company	11.28	8.94
Profit attributable to the ordinary equity holders of the Company	**11.28**	**8.94**
(c) Reconciliation of earnings used in calculating earnings per share	**$'000**	**$'000**
Basic earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	31,072	19,209
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the Company used in calculating diluted earnings per share	31,072	19,209

	Consolidated	
	2013 Number	2012 Number
d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	275,461,031	214,559,200
Adjustments for calculation of diluted earnings per share:		
Options	-	400,000
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	275,461,031	214,959,200

NOTE 37: SHARE-BASED PAYMENTS

Details of options over ordinary shares in G8 Education Limited provided as remuneration to Key Management Personnel of the Group are set out below. Value of options at grant date is set out below. When exercisable, each option is convertible into one ordinary share of G8 Education Limited. Further information on the options are set out in note 23 and note 26 to the financial statements.

The terms and conditions of each grant of options affecting remuneration in the previous, current or future reporting years are as follows:

Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value per option at grant date
27 September 2012	27 September 2012	27 March 2014	$1.27	$0.2193

The options listed above were exercised during the year.

- The model inputs for options granted during the year ended 31 December 2012 are set out on page 22.

The weighted average remaining contractual life of share options outstanding at the end of the year was Nil.
No options were issued during 2013 or outstanding at 31 December 2013.

(a) Fair value of options granted

There were no options granted during the year ended 31 December 2013. The assessed fair value at grant date of the options issued during the year ended 31 December 2013 was nil.

The assessed fair value at grant date of options granted to the individuals is allocated equally over the year from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are independently determined using a binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-fee interest rate for the term of the option.

(b) Expenses arising from share based transactions

Expenses arising from share-based payment transactions recognised during the year as part of employee benefit expenses were as follows:

	Consolidated	
	2013 $'000	**2012 $'000**
Options issued under executive option plan	-	(59)
Share based payment expense on fair value adjustment on shares issued to nominees of C P Sacre and J D Fraser	(223)	(191)
	(223)	**(250)**

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 33 to 91 are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed Group identified in note 33 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 33.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Managing Director and Chief Financial Officer required by section 295A of the Corporations Act 2001.

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

Jenny Hutson.

Jennifer J Hutson
Chairperson
17 February 2014

HLB Mann Judd

Accountants | Business and Financial Advisers

G8 Education Limited
ACN 95 123 828 553

INDEPENDENT AUDITOR'S REPORT

To the members of G8 Education Limited

Report on the Financial Report

We have audited the accompanying financial report of G8 Education Limited ("the company"), which comprises the consolidated balance sheet as at 31 December 2013, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration, for the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that the consolidated financial report complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's and its controlled entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

HLB Mann Judd

Accountants | Business and Financial Advisers

INDEPENDENT AUDITOR'S REPORT (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

(a) the financial report of G8 Education Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 22 of the directors' report for the year ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of G8 Education Limited for the year ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

C J M King
Partner

Brisbane, Queensland
Date: 17 February 2014