

Second Supplementary Bidder's Statement – Scrip Offer

Introduction

This document is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) to the bidder's statement dated 30 July 2015 as supplemented by the first supplementary bidder's statement dated 3 August 2015 (**Bidder's Statement**) issued by G8 Education Limited ACN 123 828 553 (**G8 Education**) in relation to G8 Education's off-market takeover bid for all of the ordinary shares in Affinity Education Limited ACN 163 864 195 (**Affinity Education**).

The Second Supplementary Bidder's Statement is given pursuant to Division 4 of Part 6.5 of the *Corporations Act 2001* (Cth) (**Corporations Act**) in compliance with the requirements of section 643 Corporations Act.

The Second Supplementary Bidder's Statement supplements and is to be read together with the Bidder's Statement. This document prevails in the event of any inconsistency with the Bidder's Statement.

Important notices

A copy of the Second Supplementary Bidder's Statement was lodged with the Australian Securities and Investments Commission (**ASIC**) on 20 August 2015. Neither ASIC nor any of its officers take any responsibility for the consents of the Second Supplementary Bidder's Statement.

Defined terms

Unless the context otherwise requires, capitalised terms in the Second Supplementary Bidder's Statement have the same meaning given to them in section 13 of the Bidder's Statement. The rules of interpretation set out in section 13.2 of the Bidder's Statement also apply to the Second Supplementary Bidder's Statement, unless the context otherwise requires.

Amendments to the Bidder's Statement

The Second Supplementary Bidder's Statement amends the Bidder's Statement in the manner marked up in the copy of the Bidder's Statement attached as Annexure A to the Second Supplementary Bidder's Statement.

Replacement Bidder's Statement

A replacement bidder's statement, which incorporates the amendments to the Bidder's Statement made by the Second Supplementary Bidder's Statement, is issued at the same time as the Second Supplementary Bidder's Statement.

Approval of the Second Supplementary Bidder's Statement

The Second Supplementary Bidder's Statement has been approved by a unanimous resolution of the directors of G8 Education.

This Second Supplementary Bidder's Statement is dated 20 August 2015, which is the date it was lodged with ASIC.



Jenny Hutson
Chairperson
G8 Education Limited

Annexure

Marked Changes to Bidder's Statement



G8 Education^{ltd}

BIDDER'S STATEMENT – SCRIP OFFER

This is an important document and requires your immediate attention.

If you are in any doubt as to how to deal with it, you should consult your legal, financial or other professional adviser as soon as possible.



Investing in the future
of childcare.

UNCONDITIONAL SCRIP OFFER BY G8 EDUCATION LIMITED ACN 123 828 553

to acquire all of your shares in

AFFINITY EDUCATION GROUP LIMITED ACN 163 864 195

The consideration offered is **1 G8 EDUCATION SHARE FOR EVERY 4.2561 AFFINITY EDUCATION SHARES** you own.

G8 EDUCATION DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU ACCEPT THIS SCRIP OFFER

The Scrip Offer is dated ~~18-21 August~~ 2015 and will close at 7.00pm (Sydney time) on ~~28 September~~ 2015, unless extended.

Please call 08 9389 8033 Monday to Friday between 8.30 am and 5.00 pm if you require assistance with your acceptance.



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G8 EDUCATION LIMITED'S BIDDER'S STATEMENT
SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER



Important Notices

This replacement Bidder's Statement is given by G8 Education Limited ACN 123 828 553 (**G8 Education**) -under part 6.5 Corporations Act ~~and (as amended by ASIC Class Order 13/528)~~ and replaces the original bidder's statement lodged with ASIC on 30 July 2015 ~~and theas supplemented by the first supplementary bidder's statement lodged with ASIC on 3 August 2015 and the second supplementary bidder's statement lodged with ASIC on 20 August 2015 (Bidder's Statement)~~ and sets out certain disclosures required by the Corporations Act together with the terms of the Scrip Offer to acquire your shares in Affinity Education Group Limited ACN 163 864 195 (**Affinity Education**).

This Bidder's Statement is dated ~~30 July 20 August~~ 2015. It includes ~~ana~~ Scrip Offer dated ~~{+} 18-21 August~~ 2015 on the Offer Terms set out in Schedule 1 ~~and Schedule 2~~.

A copy of this Bidder's Statement was lodged with ASIC and ASX on ~~30 July 20 August~~ 2015. None of ASIC, ASX nor any of their officers takes any responsibility for the content of this Bidder's Statement.

Investment decisions

This Bidder's Statement does not take into consideration your individual investment objectives, financial situation or particular needs. You may wish to seek independent financial and taxation advice before deciding whether or not to accept the Scrip Offer for your Affinity Education Shares.

Forward looking statements

This Bidder's Statement contains certain forward looking statements and statements of current intention. The forward looking statements in this Bidder's Statement reflect views held at the date of this Bidder's Statement.

You should be aware that the statements involve inherent risks and uncertainties. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and those deviations are both normal and to be expected.

None of G8 Education, its officers or any person named in this Bidder's Statement with their consent or involved in the preparation of this Bidder's Statement makes any representation or warranty as to the accuracy or likelihood of fulfilment of any forward looking statement. You should not place undue reliance on those statements.

Defined terms

A number of defined terms are used in this Bidder's Statement. These terms are explained in section 13.

Privacy statement

G8 Education has collected your information from the register of Affinity Education Shareholders.

The Corporations Act permits information to be made available to certain persons, including G8 Education. Your information may also be disclosed on a confidential basis to G8 Education's related bodies corporate and external service providers and may be required to be disclosed to regulators such as ASIC. You can contact us for details of information held by us about you.

Foreign shareholders

The distribution of the Bidder's Statement in jurisdictions outside of Australia and New Zealand may be restricted by law and any person who comes into possession of it should seek advice. This Bidder's Statement does not constitute an offer to acquire Affinity Shares from any Affinity Education Shareholder in any jurisdiction in which to do so would be illegal. Where any holder is acting as a nominee for a foreign person, that holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Scrip Offer is consistent with applicable foreign laws.

In any other jurisdiction, G8 Education Shares will be issued to a nominee who will sell those G8 Education Shares and the proceeds of sale (less any fees) will be remitted to those shareholders.

This Bidder's Statement has been prepared having regard to the Australian disclosure requirements. These disclosure requirements may be different from those in other countries. If you are not an Australia resident taxpayer or are liable for tax outside Australia, it is important that you seek specific tax advice in relation to the Australian and overseas tax consequences of the Scrip Offer.

Implied value of the Scrip Offer

As you are being offered G8 Education Shares as consideration for your Affinity Education Shares, the implied value of the Offer will vary with the price at which G8 Education Shares trade on the ASX. Unless otherwise noted, premiums presented in this Bidder's Statement are based on a price per G8 Education Share of \$3.4025 being the closing price on the trading day before the Offer was announced. Further information on recent trading prices in G8 Education Shares is set out in Section 5.15.



How to accept

Acceptances for the Scrip Offer must be received before the close of the Offer Period.

There are different ways to accept the Scrip Offer depending on how you hold your Affinity Education Shares.

For CHESS Holdings

Instruct your stockbroker or other Controlling Participant to initiate acceptance of the Scrip Offer on your behalf in sufficient time for the Scrip Offer to be accepted before the end of the Offer Period or complete and sign the enclosed Acceptance Form authorising G8 Education or Advanced Share Registry Services Pty Ltd to contact your Controlling Participant to initiate acceptance of the Scrip Offer for you.

For Issuer Sponsored Holdings

Complete and sign the enclosed Acceptance Form in accordance with the instructions on that form and return it before the end of the Offer Period to:

BY HAND

**Advanced Share
Registry Services
Affinity Education
Group Limited
Takeover
110 Stirling Highway,
Nedlands, Western
Australia 6009
AUSTRALIA**

BY MAIL

(a reply paid envelope is enclosed)
**Advanced Share
Registry Services
Affinity Education
Group Limited Takeover
PO Box 1156 Nedlands,
Western Australia 6909
AUSTRALIA**

Acceptance Form

The Acceptance Form which accompanies this Bidder's Statement forms part of the Scrip Offer. The requirements on the Acceptance Form must be observed in accepting the Scrip Offer for your Affinity Education Shares.

Enquiries

If you are in any doubt how to deal with this document, you should consult your Broker or your legal, financial or other professional adviser.

If you have any questions about the Scrip Offer or how to accept it, please call the shareholder

information line on 08 9389 8033 Monday to Friday between 8.30 am and 5.00 pm.

Scrip Offers to Foreign Shareholders

If you are a Foreign Shareholder, unless G8 Education otherwise determines that:

- it is lawful and not unduly onerous and not unduly impracticable to make the Scrip Offer to you and to issue you with G8 Education Shares on acceptance of the Scrip Offer; and
- it is not unlawful for you to accept the Scrip Offer by the law of the relevant place outside Australia, its external territories and New Zealand,

you will not be entitled to receive G8 Education Shares as consideration for your Affinity Education Shares.

Otherwise, if you are a Foreign Shareholder and you accept the Scrip Offer or your Affinity Education Shares are compulsorily acquired, you will receive the cash amount calculated under clause 5.3 of Schedule 1.

Further information about the entitlement of a Foreign Shareholder is set out in section 12.9.



Key Dates

Announcement Date	3 July 2015
Bidder's Statement lodged with ASIC	30 July <u>3-20 August</u> 2015
Date of <u>Scrip</u> Offer	[•]18-21 August- 2015
Close of Offer Period (unless extended ¹)	7.00pm (Sydney time) on [•] <u>28 September</u> 2015
Anticipated date for issue and allotment of G8 Education Shares as consideration ²	[•] <u>19 October</u> 2015

¹ The Scrip Offer may be extended to the extent permitted under the Corporations Act.

² If the Scrip Offer is extended this date will change. In any event, the G8 Education Shares will be issued to you within one month after you accept the Scrip Offer or 21-days after the Scrip Offer closes (~~assuming all Defeating Conditions are satisfied or waived~~), whichever is earlier.

Letter from the Chairperson

30 July 2015

Dear Affinity Education Shareholder

Scrip Offer to acquire your Affinity Education Shares

On behalf of G8 Education Limited ACN 123 828 553 (**G8 Education**), we are pleased to present G8 Education's Scrip Offer to acquire all of your shares in Affinity Education Group Limited (**Affinity Education**).

The Scrip Offer Price is 1 G8 Education Share for every 4.25461 Affinity Education Shares you own. This represents:

- a premium of 29.648.1% on Affinity Education's share price before the announcement of the Scrip Offer³; and
- a premium of 9.42525% based on Affinity Education's ten day VWAP before the announcement of the Scrip Offer.⁴

About G8 Education

G8 Education is an ASX 200 childcare and education company that is a leading provider of quality care and education services across Australia and Singapore through a range of well-respected and recognised brands.

Benefits of the Scrip Offer

The Scrip Offer provides Affinity Education Shareholders with the ability to exchange 4.6125 Affinity Education shares for 1 G8 Education share. This is equivalent to \$0.8070 per Affinity Education Share which represents an attractive premium of 29.648.1% to the pre-Scrip Offer announcement closing price of \$0.54 per Affinity Education Share³.

The Scrip Offer is final and will not be increased.⁵

We encourage you to read this Bidder's Statement for more details about the Scrip Offer and about G8 Education.

Conditions of the Scrip Offer is unconditional

The Scrip Offer has been freed from all defeating conditions which were set out in the announcement of the Scrip Offer on 3 July 2015. Scrip Offers will be binding on Acceptance. ~~Offer is subject to a number of Defeating Conditions, including a 50 percent minimum acceptance condition, all necessary regulatory approvals being obtained, no prescribed occurrences and no material adverse changes.~~ The terms of the Scrip Offer, are set out in Schedule 1 and Schedule 2 to this Bidder's Statement.

The Cash Offer

G8 Education announced an on-market unconditional takeover bid for all of the Affinity Education Shares which it does not already own for \$0.80 cash per Affinity Education Share. Particulars of the Cash Offer were disclosed by Canaccord (G8 Education's broker) to the ASX on 3 August 2015. The Cash Offer opens on 26 August 2015 and once open will run concurrently with the Scrip Offer. The Cash Offer may only be accepted by selling your Affinity Education Shares on market. For more information on the Cash Offer, refer to the bidder's statement for the Cash Offer lodged with ASIC on 3 August 2015.



³ Based on the closing prices of Shares in G8 Education on 31 July 2015 and Affinity Education Shares on ASX on 2 July 2015

⁴ Calculated over the 10 trading days before the announcement of the Scrip Offer and using a G8 Education Share price of \$3.2540 being the closing price on 23 July 2015 the trading day immediately before the announcement of the Offer

⁵ G8 Education may be required by law to increase the ratio of G8 Education Shares to Affinity Education Shares under the Scrip Offer – refer to section 12.812-7 for more information

We encourage you to read this Bidder's Statement for more details about the [Scrip Offer](#) and about G8 Education. The [Scrip Offer](#) is open for your acceptance until 7.00pm (Sydney time) on ~~14~~[28 September](#) 2015, unless extended. If you wish to accept the [Scrip Offer](#), please complete and return the enclosed Acceptance Form.

If you have any questions about the [Scrip Offer](#), please contact your legal, financial or other professional adviser or call Advanced Share Registry Services on 08 9389 8033 Monday to Friday between 8.30 am and 5.00 pm.

Yours sincerely



Jenny Hutson
Chairperson
G8 Education Limited



1 Highlights

1. The Scrip Offer represents an attractive premium to the trading price of Affinity Education Shares prior to the announcement of the Offer.
2. You will become a shareholder in a significantly larger and more liquid ASX 200 company which pays dividends quarterly.
3. You will have ongoing exposure to the childcare and education industry through Australia's largest listed for-profit provider in this sector.
4. You may benefit from exposure to G8 Education's diverse portfolio of childcare and education centres.
5. ~~If the Offer proceeds and~~ If you do not accept, there are risks in remaining a minority shareholder in Affinity Education.
6. No other proposal has emerged for your Affinity Education Shares at the date of this Bidder's Statement, and G8 Education's current 19.89% shareholding in Affinity Education makes a competing proposal for Affinity Education less likely.
7. No stamp duty or brokerage will apply.
8. ~~If the Offer does not succeed,~~ Affinity Education's share price may fall and liquidity may be reduced.
9. CGT roll-over relief may be available.



2 Frequently asked questions about the Scrip Offer

Question	ANSWER
What is the <u>Scrip Offer</u> ?	<p>G8 Education is making an offer to acquire all of your Affinity Education Shares.</p> <p>If you accept the <u>Scrip Offer</u>, you will receive (subject to the Defeating Conditions being satisfied or waived) 1 G8 Education Share for every 4.2561 Affinity Education Shares you own.</p>
How long is the <u>Scrip Offer</u> open for?	<p>The <u>Scrip Offer</u> opens on {•}18-21 August 2015 and is scheduled to close at 7.00pm (Sydney time) on {•}201528 September2015 (unless extended).</p>
What are the conditions of the <u>Scrip Offer</u> ?	<p>The <u>Scrip Offer</u> is subject to the following Defeating Conditions:</p> <ul style="list-style-type: none"> *—50 percent minimum acceptance condition; *—Regulatory Approvals; *—no material regulatory action; *—no Prescribed Occurrences; and *—no Material Adverse Change. <p>This is only a summary of the Defeating Conditions. The Defeating Conditions are set out in full in Schedule 2.</p> <p><u>unconditional.</u> G8 Education may choose to waive certain of the Defeating Conditions in accordance with the announced on the date of this Bidder's Statement on 3 August 2015 that the Scrip Offer Terms will be free of all free from defeating conditions.</p>
Do I have to pay any fees?	<p>No brokerage, charges or stamp duty will be payable by you on acceptance of the <u>Scrip Offer</u>.</p> <p>If you choose to sell your Affinity Education Shares on market, <u>including under the Cash Offer</u>, you may incur brokerage costs and GST on those costs.</p>
What should I do?	<p>To accept the <u>Scrip Offer</u>, you should:</p> <ul style="list-style-type: none"> ▪ read this Bidder's Statement in full; ▪ read Affinity Education's Target's Statement in full (when issued); ▪ consult your Broker, financial or other professional adviser if you are in any doubt as to what action to take or how to accept the <u>Scrip Offer</u>; and ▪ accept the <u>Scrip Offer</u> in the manner described in section 4. <p>If you have any queries about the <u>Scrip Offer</u>, you may also call Advanced Share Registry Services on 08 9389 8033 on Monday to Friday between 8.30 am and 5.00 pm.</p>
How do I accept the <u>Scrip Offer</u> ?	<p>The <u>Scrip Offer</u> may only be accepted for all of your Affinity Education Shares.</p> <p>The manner in which you accept the <u>Scrip Offer</u> depends on whether you hold your Affinity Education Shares in an Issuer Sponsored Holding, a CHESS Holding, or if you are a Broker or a Non-Broker Participant.</p>



G8 EDUCATION LIMITED'S BIDDER'S STATEMENT SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER

Question	ANSWER
	<p>Full details on how to accept the Scrip Offer are set out in section 4.</p> <p>For CHESS Holdings you should instruct your stockbroker or other Controlling Participant to initiate acceptance of the Scrip Offer on your behalf in sufficient time for the Scrip Offer to be accepted before the end of the Offer Period.</p> <p>For Issuer Sponsored Holdings you must complete, sign and return the Acceptance Form in accordance with the instructions on it. Return it to the address indicated on the form so that it is received before the end of the Offer Period. A reply paid envelope (not able to be used by Affinity Education Shareholders outside Australia) is enclosed for your convenience.</p> <p>Mailing and delivery addresses</p> <p>If you reside in Australia, you can use the reply paid envelope enclosed with this Bidder's Statement.</p> <p>The mailing address is:</p> <p>Advanced Share Registry Services Affinity Education Group Limited Takeover PO Box 1156, Nedlands, Western Australia 6909 AUSTRALIA</p> <p>Alternatively, you may hand deliver the Acceptance Form and any associated documents to:</p> <p>Advanced Share Registry Services Affinity Education Group Limited Takeover 110 Stirling Highway, Nedlands, Western Australia 6009 AUSTRALIA</p>
What happens if G8 Education acquires Affinity Education Shares outside of the Scrip Offer?	<p>If you accept the Scrip Offer and G8 Education acquires Affinity Education Shares for cash outside of the Scrip Offer during the Offer Period (e.g. under the Cash Offer or otherwise) you may elect to take a cash amount equal to the highest price paid in that period in lieu of the G8 Education Shares. For example, if G8 Education acquires shares under the Cash Offer you will be entitled to elect to receive \$0.80 per Affinity Education Share. Notice of that right will be given to you within 14 days after the end of the Offer Period in accordance with section 651A(4) Corporations Act.</p>
If I accept the Scrip Offer, when will I receive consideration for my Affinity Education Shares?	<p>Provided that the necessary transfer documents accompany your Acceptance Form, you will be issued G8 Education Shares within one month of on the laterearlier of:</p> <ul style="list-style-type: none"> ▪ the date one month after you accept the Scrip Offer; and ▪ the date the Offer becomes unconditional. ▪ In any event, you will be issued with G8 Education Shares within 21 days after the Scrip Offer closes (assuming all Defeating Conditions are satisfied or waived).
What rights will my G8 Education Shares have?	<p>The G8 Education Shares issued under the Scrip Offer will be fully paid and will rank equally for dividends and other rights with existing G8 Education Shares.</p> <p>A detailed explanation of the rights and liabilities attaching to G8 Education Shares is set out in section 12.3.</p>
Will my G8 Education Shares be listed on ASX?	<p>G8 Education will apply to ASX for quotation of the G8 Education Shares to be issued under the Scrip Offer within 7 days after the start of the bid period. Quotation of the G8 Education Shares to be issued under the Scrip Offer will depend on ASX exercising its discretion in that regard, but the Scrip Offer is subject to a statutory condition that permission for quotation will be granted no later than 7 days after the</p>



Question

ANSWER

end of the Offer Period, which condition cannot be waived by G8 Education.

Question	ANSWER
What happens if I accept the <u>Scrip</u> Offer?	<p>If you accept the Offer and it becomes or is declared unconditional,<u>Scrip Offer</u> you will be issued G8 Education Shares within the time specified above.</p> <p>Once you accept the <u>Scrip</u> Offer (even while it remains subject to Defeating Conditions) you will not be able to sell your Affinity Education Shares or otherwise deal with the Rights attaching to your Affinity Education Shares, subject to your limited statutory rights to withdraw your acceptance in certain circumstances.</p>
What happens if I do not accept the <u>Scrip</u> Offer?	<p>If you do not accept the <u>Scrip</u> Offer, you will remain an Affinity Education Shareholder and will not be issued G8 Education Shares.</p> <p>However, if G8 Education becomes entitled to compulsorily acquire your Affinity Education Shares, it intends to do so. If this occurs, you will still receive the Offer Price for your Affinity Education Shares but at a later date than you would have received it if you had accepted the <u>Scrip</u> Offer.</p>
What are the tax implications of accepting the <u>Scrip</u> Offer?	<p>A general description of the taxation treatment for certain Australian resident Affinity Education Shareholders accepting the <u>Scrip</u> Offer is set out in section 11.00.</p> <p>You should not rely on that description as advice for your own affairs.</p> <p>You should consult your taxation adviser for detailed taxation advice before making a decision as to whether or not to accept the <u>Scrip</u> Offer.</p> <p>If G8 Education does not acquire ownership of 80 percent of Affinity Education Shares (including those that it already holds) under the <u>Scrip</u> Offer, then rollover relief will not be available to Affinity Education Shareholders for any capital gain that is made from the receipt of G8 Education Shares as consideration.</p>
What are the significant risks of the <u>Scrip</u> Offer?	<p>You should carefully consider the risk factors that could affect the performance of G8 Education and the Merged Group before deciding whether to accept the <u>Scrip</u> Offer. Many of these risks are outside the control of G8 Education and its Directors, and cannot be mitigated. A summary of the key risks is set out in section 9.</p>



3 Reasons to accept the Scrip Offer

1

The Scrip Offer represents a **29.648.1%** premium⁶ to trading levels immediately prior to the announcement of the Offer

2

The Scrip Offer provides Affinity Education Shareholders with exposure to an ASX 200 listed childcare and education group and potential to benefit from:

- proven management capability;
- greater scale and financial strength;
- an estimated \$6.5 million per annum in administration and head office synergies; and
- quarterly fully franked dividends

3

No other proposal has emerged for your Affinity Education Shares at the date of this Bidder's Statement

4

~~The~~ Affinity Education's share price may fall and liquidity may ~~drop~~ be reduced if Affinity Education Shareholders do not accept the Offer

5

Affinity Education Shareholders will not pay stamp duty or brokerage to accept the Scrip Offer

6

Affinity Education Shareholders may be eligible for CGT rollover relief for the transfer of their Affinity Education Shares under the Scrip Offer

⁶ Based on the closing prices of shares in G8 Education on 31 July 2015 and Affinity Education on ASX on 2 July 2015



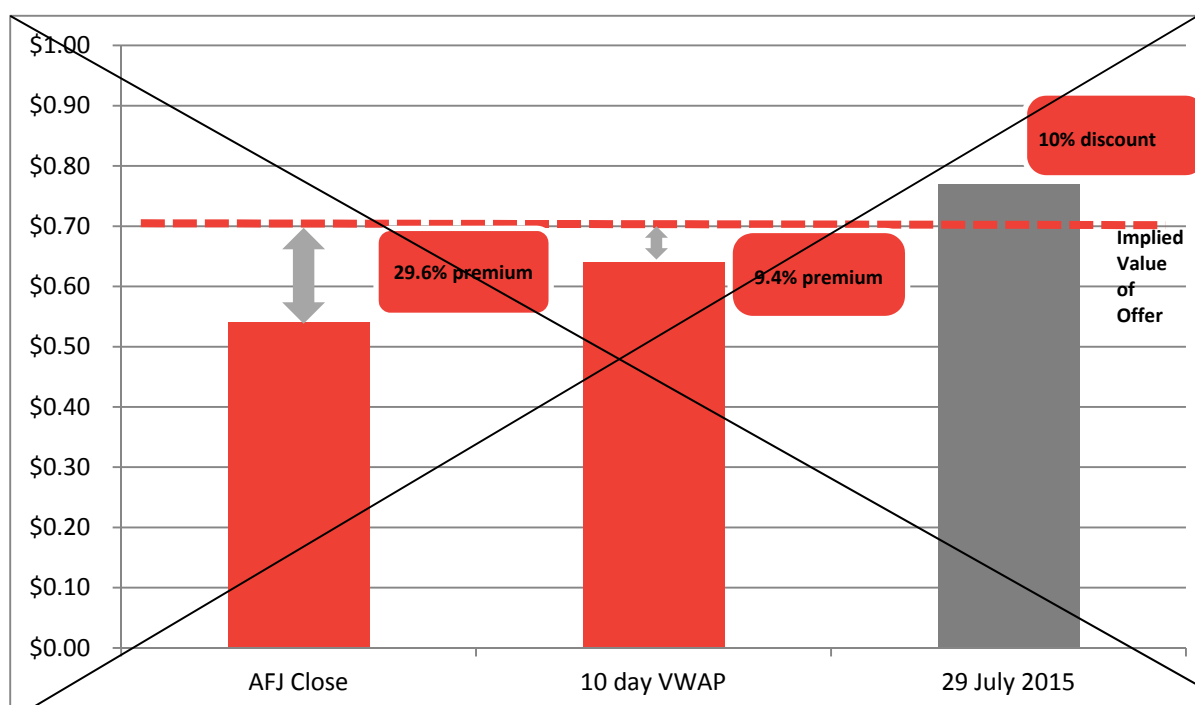
1

The Scrip Offer represents a **29.648.1%** premium⁷ to trading levels immediately prior to the announcement of the Scrip Offer

The Scrip Offer provides Affinity Education Shareholders with the ability to retain exposure to Affinity Education's assets including its 161 childcare centres, whilst capturing an attractive premium for your shareholding.

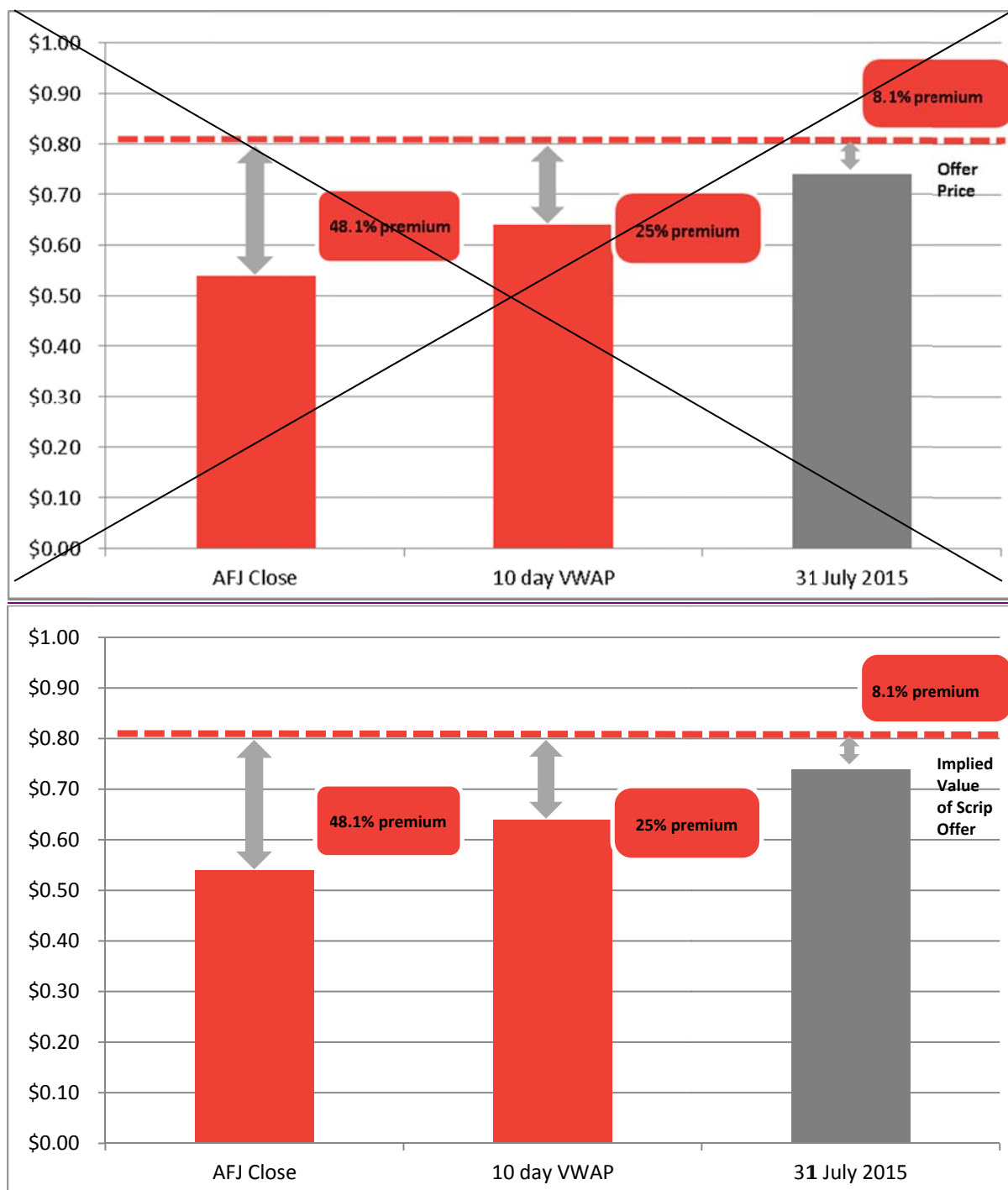
If you accept the Scrip Offer, ~~and the Offer is declared unconditional~~, you will be issued **1 G8 Education Share for every 4.2561 Affinity Education Shares** you hold.⁸

The implied value of the Scrip Offer represents an attractive premium to trading in Affinity Education Shares prior to the Scrip Offer announcement on **23** July 2015, as demonstrated in the chart below.



⁷ Based on the closing prices of shares in G8 Education and Affinity Education on ASX on 2 July 2015, the trading day before the Scrip Offer was announced. **at \$0.54 per share**

⁸ If you are an Ineligible Foreign Shareholder or an Unmarketable Parcel Shareholder your G8 Education Shares will be sold and the net proceeds paid to you



Notes:

'AFJ Close' is the closing price of Affinity Education Shares on 2 July 2015, the trading day before G8 Education announced its intention to make the Scrip Offer.

Implied value of the Scrip Offer of \$0.870 is calculated on the closing share price of G8 Education of \$3.2540 per share on 231 July 2015, the trading day before ~~the Offer~~the first supplementary is bidder's sStatement was ~~announced~~lodged.



'10 day VWAP' is calculated as the VWAP of Affinity Education Shares on ASX on the 10 trading days before ~~the~~ Offer was G8 Education announced its intention to make the Scrip Offer.

~~'29'~~ 31 July 2015' is based on the closing prices of ~~shares in G8 Education and~~ Affinity Education Shares on ~~29~~ 31 July 2015, being the trading day before this Bidder's Statement was lodged with ASIC.

Recent trading prices for shares in G8 Education and Affinity Education are set out in sections 5.15 and 6.17.



2

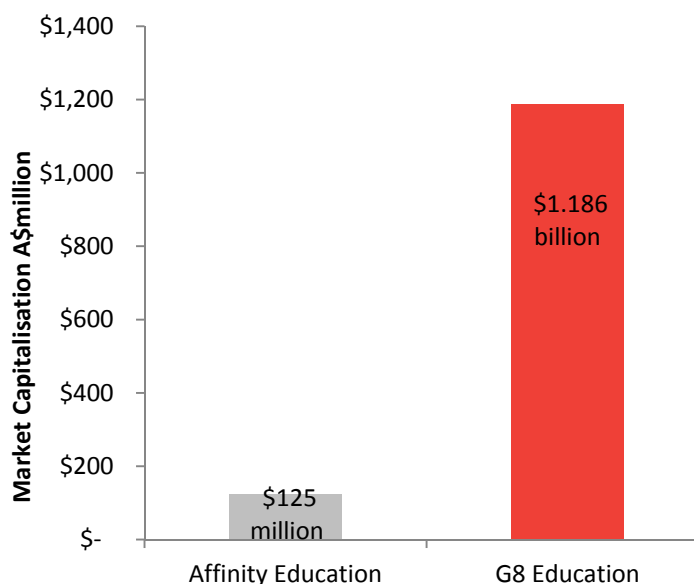
The Scrip Offer provides Affinity Education Shareholders with exposure to an ASX 200 listed childcare and education group

Greater scale and financial strength

Accepting the Scrip Offer will allow you to exchange your Affinity Education Shares for G8 Education Shares. G8 Education is a much larger company than Affinity Education based on market capitalisation, and as an ASX 200 company, G8 Education Shares have greater liquidity.

On the last trading day prior to the Announcement Date, G8 Education had a market capitalisation of \$1.186 billion and Affinity Education had a market capitalisation of \$125 million.

If the Scrip Offer proceeds, the Board believes the Merged Group is likely to have increased profile within the investment community, increased research coverage and potentially greater liquidity than either company currently experiences on a stand-alone basis.



Notes:

Based on G8 Education's closing share price of \$3.25 per share and Affinity Education's closing share price of \$0.54 per share on 2 July 2015 the trading day before the Scrip Offer was announced.

Proven management capability

G8 Education has a proven executive and management team in place, who are well equipped and experienced in the acquisition and management of education and childcare services.

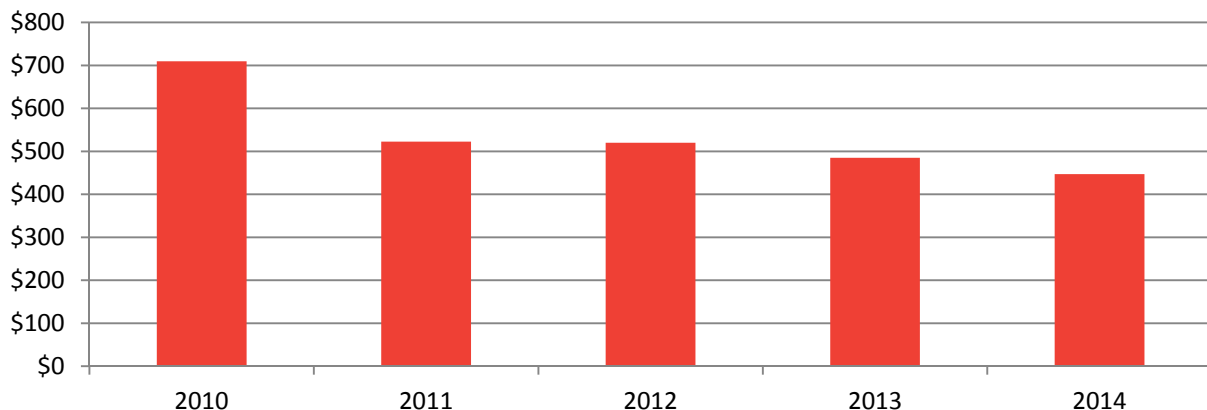
The experienced team has achieved efficiency and productivity gains from the application of technology and process upgrades. This, combined with disciplined cost control, yields benefits to the cost structure of G8 Education, without compromising the quality of care for the children and families attending G8 Education centres.

Potential for \$6.5 million per annum in administration and head office synergies

The G8 Education management team has a proven track record of maximising the head office support function synergies. Head office costs per licensed childcare place at G8 Education are \$455 per annum. G8 Education's management team also has a proven track record of effectively reducing head office costs per licensed childcare place which has contributed to the exceptional operational and financial performance of G8 Education.

	2010	2011	2012	2013	2014
Number of Licensed Places	6,304	9,868	12,661	17,597	32,782
Head Office Cost per Licensed Place	\$710	\$523	\$520	\$485	\$455

G8 Education head office cost per licensed place 2010 - 2014



By comparison, Affinity Education's current head office costs are estimated at \$1,000 per licensed childcare place, assuming \$12 million of annual corporate overheads⁹ and 12,000 licensed childcare places as at 30 June 2015¹⁰.

G8 Education anticipates that, following integration and assuming G8 education is entitled to proceed to compulsory acquisition and does so, it will be able to operate the 12,000 Affinity Education licensed childcare places, at a cost of \$455 per licensed place. This would see a reduction in costs for the Affinity Education licensed places from \$1,000 per place to \$455 per place, a saving of \$545 per licensed place or \$6.5 million dollars per annum. G8 Education expects that the duplication in administrative and corporate functions, including head office positions at Affinity Education and related head office costs, will be a primary source of those cost savings. By way of example, G8 Education expects that certain head office positions associated with Affinity Education's company secretarial, financial management and board will no longer be required. Similarly, costs associated with Affinity Education's ASX listing will no longer be incurred in the event that Affinity

⁹ Ord Minnett, Company Review: Affinity Education Group (AFJ), 2 July 2015

¹⁰ Affinity Education Earnings Guidance and operational update, 2 July 2015

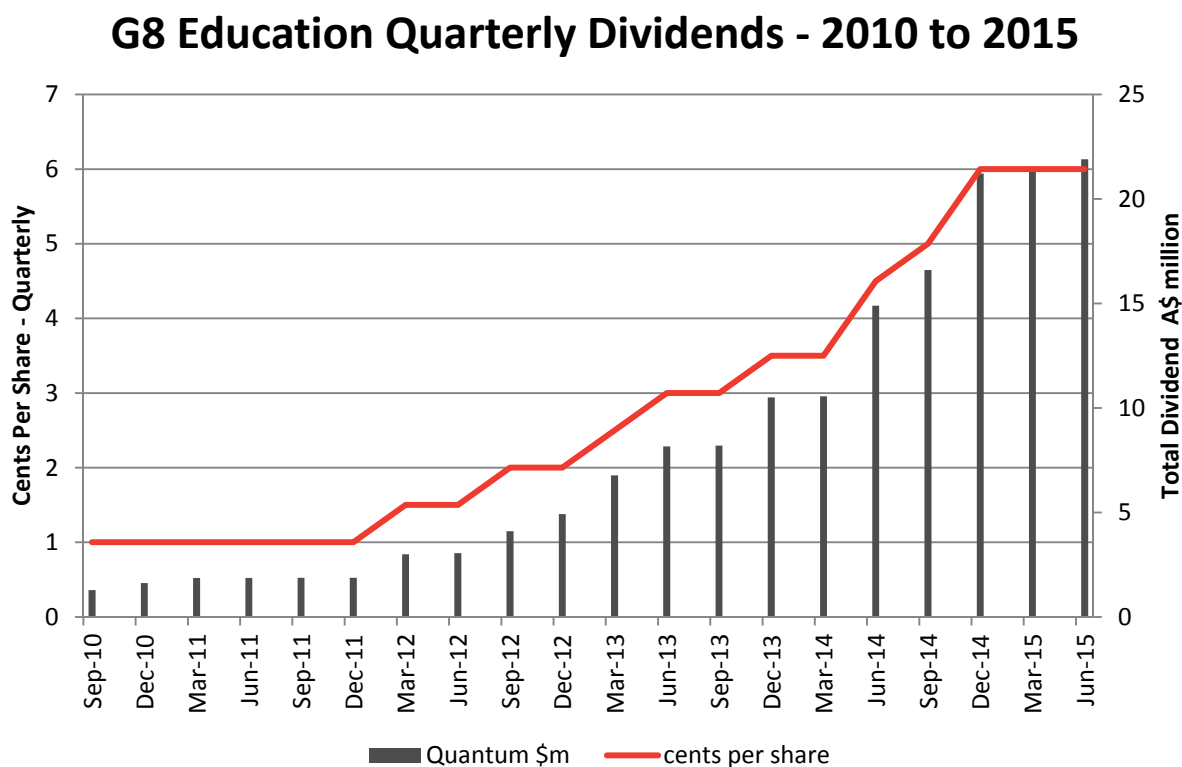


Education is delisted from ASX (refer to sections 8.2 and 8.3 for more information of G8 Education's intentions in respect of the Affinity Education's ASX listing). Given the presentation of expenses in Affinity Education's income statement does not separately identify the head office and related functions, including those identified above, G8 Education is unable to identify from a review of public information that exact amount of likely cost synergies. However, the Board considers a marginal cost of \$455 per place an achievable target, consistent with G8 Education's previous experience with the integration of child care centres that it has acquired.



Quarterly fully franked dividends

G8 Education has declared and paid quarterly dividends since 2010. G8 Education currently pays 6 cents per share as a quarterly fully franked dividend. G8 Education's dividend history is reflected graphically below:



Affinity Education is yet to declare a dividend. Affinity Education announced that it expects to declare its maiden dividend for the 2015 financial year of up to 60% of net profit after tax.¹¹

¹¹ Affinity Education Market Update Presentation, ASX, 7 July 2015, page 2



3

No other proposal has emerged for your Affinity Education Shares at the date of this Bidder's Statement

G8 Education's current 19.89% shareholding in Affinity Education might make a competing proposal for Affinity Education less likely.

G8 Education currently owns 19.89% of Affinity Education Shares as at the date of this Bidder's Statement and consequently is able to prevent any other bidder for Affinity Education from reaching the compulsory acquisition threshold under a takeover bid. In addition, G8 Education's shareholding would also make it difficult for another party to acquire control through a scheme of arrangement without G8 Education's support, although this is theoretically possible.

As a result of these factors, it is less likely that another proposal will emerge for your Affinity Education Shares.

4

The Affinity Education's share price may fall and liquidity reduced may fall and liquidity may drop if Affinity Education Shareholders do not accept the Offer

If the Scrip Offer does not proceed, Affinity Education's share price may fall and liquidity may be reduced.

As at the date of this Bidder's Statement, no other party has announced an offer for your Affinity Education Shares.

Since G8 Education announced its Scrip Offer for Affinity Education Shares on 3 July 2015, the price of Affinity Education Shares has increased by 42.537%¹². If the Scrip Offer does not proceed, the Affinity Education share price may fall back to levels prior to the announcement of the Scrip Offer and liquidity may be reduced. If the Scrip Offer does proceed, but G8 Education does not achieve sufficient acceptances to proceed to compulsorily acquire all Affinity Education Shares that it does not own, this may, for the reasons set out above, cause a fall in the Affinity Education Share price and a reduction in liquidity.

If the Scrip Offer proceeds, there are risks in remaining a minority shareholder in Affinity Education.

G8 Education already owns 19.89% of Affinity Education Shares as at the date of this Bidder's Statement and is Affinity Education's largest shareholder. ~~Even if G8 Education does not achieve sufficient acceptances to satisfy G8 Education's intentions in the 50% minimum acceptance condition, if G8 Education waived event that Defeating Condition and declared the bid unconditional it may obtain gains~~ effective control of Affinity Education. ~~G8 Education's intentions in these circumstances~~ are set out in Section 8.3 and 8.4. In particular, G8 Education will seek board representation on the Affinity Education board. While G8 Education's nominees will, at all times, act in accordance with their fiduciary duties, the presence of a controlling shareholder with board representation gives rise to a risk that Affinity Education is considered a less attractive investment. For example, the market may perceive that control transactions are less likely, and if G8 Education were successful in applying to ASX to delist Affinity Education, which G8 Education intends to do if it gains effective control of Affinity Education Shares, this may have a material effect on the value of Affinity Education Shares.

Therefore, by not accepting the Scrip Offer, there is a risk that Affinity Education Shareholders may become minority shareholders in an unlisted public company.

If G8 Education decides not to seek a delisting of Affinity Education, or its application to ASX is unsuccessful it is likely that trading in Affinity Education Shares will be even less liquid than it has been historically.

¹² Based on the closing price of Affinity Education Shares on 2931 July 2015 the trading day before ~~this the first supplementary Bidder's bidder's Statement statement~~ was lodged with ASIC.



5

Affinity Education Shareholders will not pay stamp duty or brokerage to accept the Scrip Offer

Affinity Education shareholders will not have to pay stamp duty or brokerage on the transfer of their Affinity Education Shares under the Scrip Offer.

Issuer Sponsored Holding

If your Affinity Education Shares are registered in an Issuer Sponsored Holding in your name and you deliver them directly to G8 Education, you will not incur any brokerage fees or be obliged to pay stamp duty in connection with your acceptance of the Scrip Offer.

CHESS Holding

If your Affinity Education Shares are registered in a CHESS Holding, or if you are a beneficial owner whose Affinity Education Shares are registered in the name of a broker, bank, custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Scrip Offer, and it is unlikely that you will be obliged to pay brokerage. However, you should ask your Controlling Participant (usually your Broker) or nominee as to whether it will charge any transactional fees or service charges in connection with your acceptance of the Scrip Offer.



6

Affinity Education Shareholders may be eligible for CGT rollover relief for the transfer of their Affinity Education Shares

If, as a result of the Scrip Offer and the Cash Offer, G8 Education becomes the holder of 80% or more of Affinity Education Shares on issue and you would otherwise make a capital gain in respect of the disposal of your Affinity Education Shares, you may be entitled to scrip for scrip CGT roll-over relief.

Such roll-over relief, if available, allows you to disregard any capital gain that would otherwise arise for Australian income tax purposes in respect of the disposal of your Affinity Education Shares.

See section 1100 for further information in relation to the availability of CGT roll-over relief and taxation considerations generally.

The information set out in this Bidder's Statement relates solely to tax legislation in Australia and is current as at the date of this Bidder's Statement. If you are resident in countries other than Australia or if you hold your Affinity Education Shares on capital account you should seek your own independent tax advice in relation to ~~this~~ the Scrip Offer and the tax consequences of accepting the Scrip Offer.



4 How to accept the Scrip Offer

4.1 ISSUER SPONSORED HOLDINGS

If you hold your Affinity Education Shares in an Issuer Sponsored Holding, you will need to complete, sign and return the Acceptance Form accompanying this Bidder's Statement in accordance with the instructions on that form and deliver it or send it by post so that it is received by G8 Education's share registry before the end of the Offer Period. A reply paid envelope (for use within Australia only) is enclosed with this Bidder's Statement.

4.2 CHESS HOLDINGS

If you hold your Affinity Education Shares in a CHESS Holding:

- instruct your Controlling Participant (for example, your Broker) to initiate acceptance of the Scrip Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
- complete, sign and send the Acceptance Form accompanying this Bidder's Statement directly to your stockbroker or Controlling Participant; or
- complete, sign and return the Acceptance Form in accordance with the instructions on it so that G8 Education is authorised to instruct your Controlling Participant to initiate acceptance of the Scrip Offer on your behalf;

before the end of the Offer Period.

A reply paid envelope (for use within Australia only) is enclosed for your convenience.

4.3 BROKERS OR NON-BROKER PARTICIPANTS

If you are a Broker or a Non-Broker Participant, you will need to initiate acceptance of the Scrip Offer under the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

5 Profile of G8 Education

5.1 OVERVIEW

G8 Education was admitted to the official list of the ASX in 2007. In March 2010 the company merged with Payce Child Care Pty Ltd to become G8 Education. As at 31 December 2014 G8 Education employed 9,705 people across its operations with its head office located in Queensland.

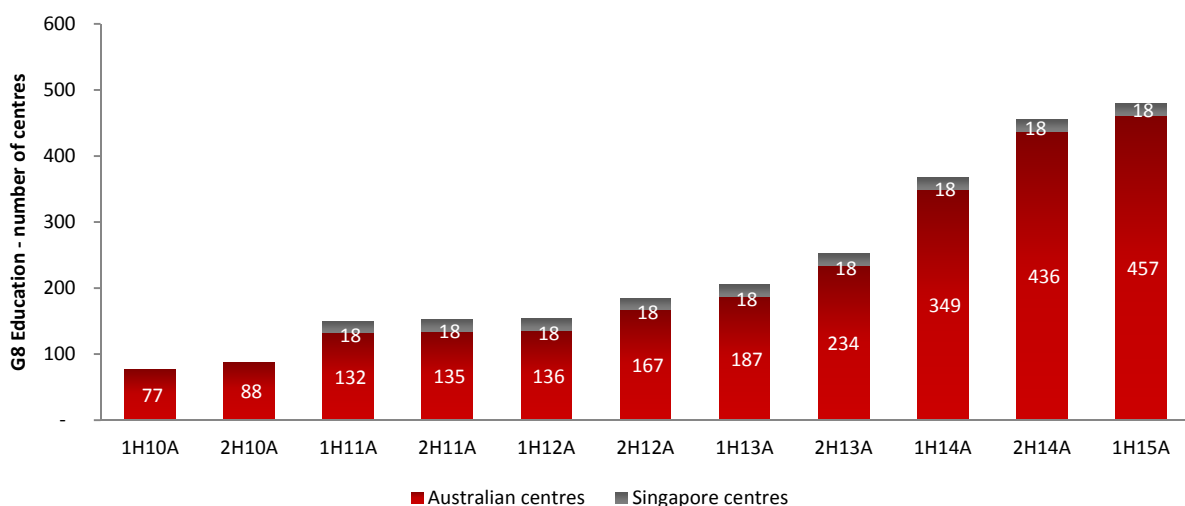
Since 2010 G8 Education has been highly acquisitive with centre additions each year. G8 Education applies a disciplined approach to acquisitions with a focus in high demand areas. The acquisition due diligence process is robust and disciplined providing multiple avenues for assessment and review.

5.2 BUSINESS OPERATIONS

G8 Education is the largest for-profit provider of high quality education and childcare in Australia with 457 owned centres and a daily licence capacity of 33,402 children as at 30 June 2015. G8 Education's business model is to identify, acquire, integrate and manage childcare centres and implement best practice operating efficiencies to improve organic performance. G8 Education acquired 203 new centres with 13,697 licensed places in 2014 with a focus on disciplined consolidation in high demand areas.

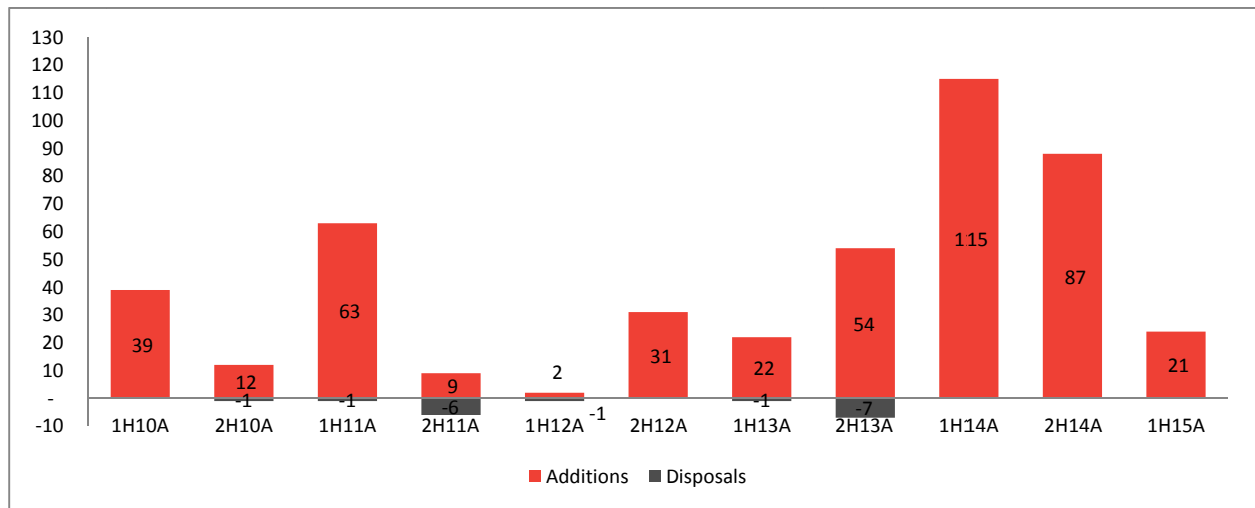
G8 Education also owns 18 childcare and education centres and operates 37 franchised childcare and education centres in Singapore, managed under the 'Our Juniors', 'Bright Juniors' and 'Cherie Hearts' brands. The model under which the Singapore franchise centres operate is a fee for service and involves different services and level of service according to the fees paid.

Growth in G8 Education's Portfolio of Childcare Centres





Change in Portfolio

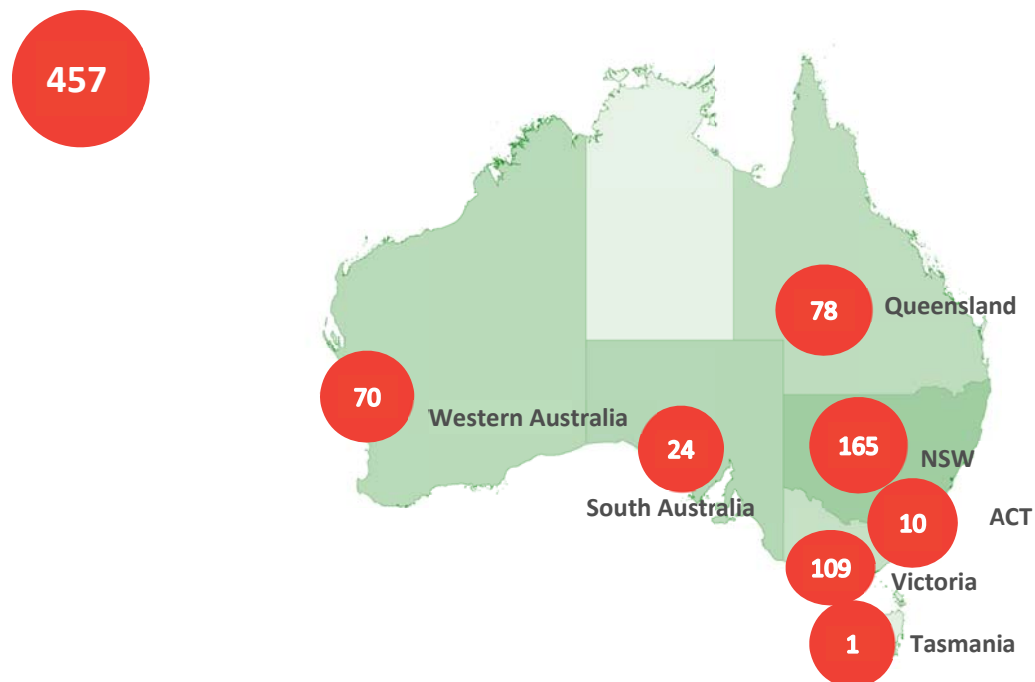


5.3 LOCATIONS OF CHILDCARE AND EDUCATION CENTRES

Australia

The majority of G8 Education's centres are located in metropolitan areas with over 70% of all centres located within 40km of a CBD.

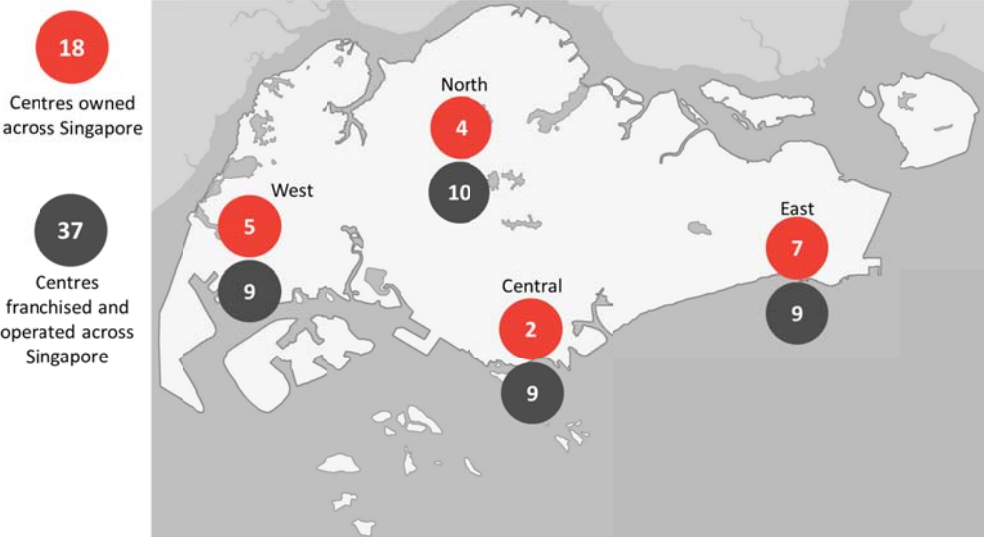
Australia centres





Singapore

Singapore Centres



5.4 G8 EDUCATION BRAND PORTFOLIO

G8 Education operates a diversified brand strategy which allows G8 Education to access and build upon the existing value of the brands within the communities in which they operate. The strength of these brands is demonstrated through their consistent performance. This combined with the high quality strength of the G8 Education brand provides comfort to parents that the services provided meets the needs of the local community.

G8 Education maintains a centralised curriculum which includes the key concepts to be addressed and taught within all centres. However, the curriculum is adaptable by the individual centres (and brands) in order to address the socio-economic demographic profile of that centre brand and the corresponding service level.

The table below illustrates the number of centres per brand within the G8 Education portfolio in both Australia and Singapore.



Total number of centres by brand

AUSTRALIA – 457 CENTRES



SINGAPORE – 18 CENTRES



Note: Number of centres indicated by number

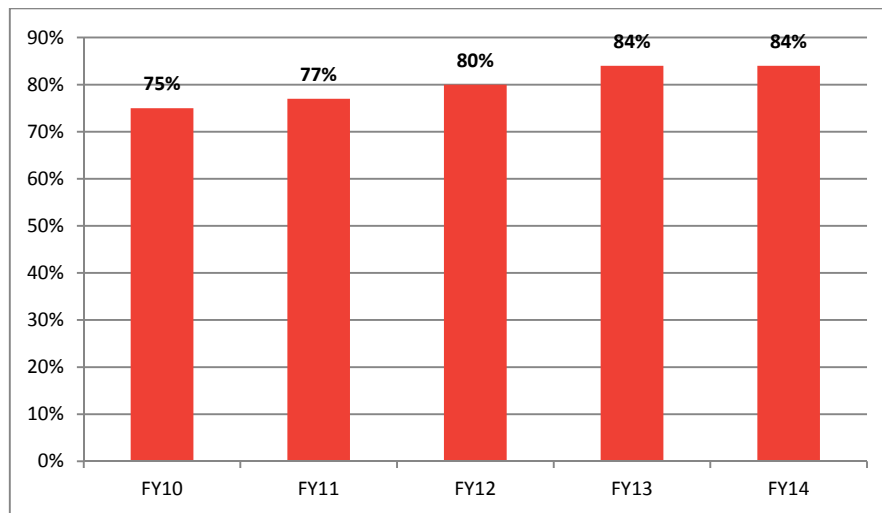


5.5 OCCUPANCY RATES

G8 Education's continued improvements in occupancy since 2010 are an important indication of family satisfaction.

G8 Education's business is seasonal with occupancy increasing throughout the year. The chart below illustrates average occupancy for the year.

Childcare and Education Centre Occupancy



5.6 LEASE ARRANGEMENTS

G8 Education has made the strategic decision to lease its childcare centres. This maintains balance sheet and operational flexibility allowing G8 Education to operate a capital light model with strong cash generation and low capital expenditure requirements. G8 Education does not engage in the development of childcare centres and is not exposed to development risk.

G8 Education has a diversified and stable lease portfolio with average lease tenure of 19 years. The majority of the portfolio is held with individual landlords on standard contract terms.



5.7 STRATEGY

G8 Education's key strategic objective is to be a leading provider of high quality, developmental and education childcare services. It achieves this through building a portfolio of outstanding early childhood education brands, focusing on the importance of early childhood education and by making good centres great centres by delivering outstanding early childhood education management.

G8 Education focuses on four key drivers that underpin its corporate strategy:

Four Key Pillars



Quality Care and Education

G8 Education 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 G8 Education's childcare and education centres.

Within Australia, G8 Education continues to be assessed under the National Quality Framework. Introduced in January 2012, the framework replaced existing state-based standards, licensing and regulation. 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. Many of G8 Education's childcare and education centres have been assessed across seven quality areas. All centres owned by G8 Education which have been assessed have received results which mean that no significant improvement is required.

One of the most demanding components of the framework has been the higher staff-to-child ratio. The first tranche of these changes occurred in 2013 with a second tranche being introduced on 1 January 2016. G8 Education has estimated that overall costs will rise to \$2.20 per child per enrolled day from \$2.00 with the actual quantum dependent upon occupancy levels across affected individual rooms/centres and differences by State from 1 January 2016.



G8 EDUCATION LIMITED'S BIDDER'S STATEMENT SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER

NQF high level assessment framework summary

1	Educational program and practice	Significant Improvement Required	Working Towards National Quality Standard	Meeting National Quality Standard	Exceeding National Quality Standard
2	Children's health and safety	Service does not meet one of the seven quality areas or a section of the legislation and there is an unacceptable risk to the safety, health and wellbeing of children.	Service may be meeting the National Quality Standard in a range of areas, but there are one or more areas identified for improvement.	Service meets the National Quality Standard.	Service goes beyond the requirements of the National Quality Standard in at least four of the seven quality areas.
3	Physical environment				
4	Staffing arrangements				
5	Relationships with children				
6	Partnerships with families and communities				
7	Leadership and service management				

Employees

G8 Education 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 9,700 employees.

G8 Education's management team remains disciplined and focused on providing support for its network of front line childcare educators. 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 has declined over the last five years.

Community

G8 Education now operates under 22 brands in Australia and Singapore. 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.



5.8 ACQUISITIONS

History

G8 Education has established a successful track record of acquiring and integrating centres. Its strategy is to acquire profitable centres in premium locations and integrate them into the corporate model. G8 Education focuses on a number of key operational metrics to drive performance. Efficiencies include achieving cost synergies in back-office management and leveraging the education curriculum.

Acquisition Criteria

G8 Education has a comprehensive methodology to identify childcare centres which may be suitable for its portfolio. G8 Education applies strict selection criteria and the current portfolio has been structured in geographical clusters that enable cost efficient regional management practices. G8 Education assesses each centre based on the sustainability of the EBIT which is a function of the location, daily fees, occupancy, centre physical structure and lease tenure.

G8 Education 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 G8 Education.

Management is attracted to centres with the following characteristics:

- A catchment area supported by a large population with limited external competition; and
 - close to existing G8 Education centres to leverage operational efficiencies from local managers and pricing structures
 - EBIT sustainability driven by licensed places and historical occupancy, reasonable lease terms and growing fees.

5.9 DIRECTORS AND SENIOR MANAGEMENT

The Directors and Senior Management of G8 Education are set out below:

Jennifer Hutson B.Com, LLB, FAIM – Chairperson



Jenny Hutson is an investment banker and fund manager and has been the Chairperson of G8 Education for over five years. She is an experienced corporate adviser and company director. She has over 20 years experience in advising listed companies on capital raisings, mergers and acquisitions, finance and corporate governance issues. She was previously chairperson of S8, 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 Scott B.Econ (Hons) – Managing Director



Chris Scott has over 25 years experience in senior management positions including seven years in the childcare and education sector. He graduated with first class honors in Economics. He was awarded the DM Myers University Medal. 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 which was an integrated travel company that made 36 acquisitions over five years and reached a market capitalisation of \$700 million. His operational analytical and strategic skills are critical to the operation of G8 Education.

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



Brian Bailison has over 20 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 them being acquired by G8 Education.

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



Susan Forrester 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 UnitingCare Qld, Healthdirect Australia Limited and is the chairperson of Oncore Group Holdings, Propell National Valuers and National Veterinary Care Ltd. She 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.



Matthew Reynolds BSc (Hons), LLB (Hons), MQLS - Non-Executive Director



Matthew Reynolds is currently a partner at HWL Ebsworth Lawyers and has experience in capital markets, ASX listings, private equity and mergers and acquisitions. He specialises in providing tailored legal and strategic advice in a highly regulated and technical market and has advised on a large number of complex capital market and merger and acquisition projects. His key clients are primarily in the energy and resources, technology and infrastructure sectors throughout Australia and Asia. Matthew was previously a Director of G8 Education Limited from 2011 to 2013. He holds a Bachelor of Political Science and Economics (Honours) and a Bachelor of Laws (Honours) and is a member of the Company Law Committee of the Queensland Law Society.

Jason Roberts BArt, CFA - Chief Executive Officer



Jason Roberts is Chief Executive Officer of G8 Education. Jason has significant business, financial and capital markets experience as well as valuable international experience having worked in Hong Kong, London and Singapore. He was CEO of G8 Education's Singapore business prior to his appointment as CEO in Australia. He is a CFA Charter holder and has a Bachelor of Arts (Honors).

Chris Sacre BBus, CA, SA Fin, GDipApp Fin (FINSIA) - Chief Financial Officer/Company Secretary



Chris Sacre has been involved with G8 Education since its inception as Early Learning Services Limited 8 years ago. Chris was appointed as the G8 Education's Chief Financial Officer in May 2008. He is responsible for financial management including reporting, forecasting (short term and long term growth) and centre acquisitions. Being Charter Accountant qualified, Chris provides invaluable experience and skills from a business and financial perspective.



5.10 FINANCIAL PROFILE OF G8 EDUCATION

G8 Education released its full consolidated financial accounts for the financial period ending 31 December 2014 on 16 February 2015. An electronic copy of this report can be obtained from G8 Education's website <http://www.g8education.edu.au> or from ASX.

The historical financial information below relates to G8 Education on a stand-alone basis and does not reflect any impact of the Scrip Offer. It is an extract only. The full consolidated financial accounts for the financial periods ended 31 December 2013 and 31 December 2014 which includes notes to these financial statements can be found in G8 Education's 2013 and 2014 annual reports. Copies of those annual reports and the half year report for the period ending 30 June 2014 are available on G8 Education's website.

The consolidated balance sheet, income statement and cash flow statement of G8 Education set out below has been extracted from the annual financial statements released by G8 Education prior to the date of this Bidder's Statement being audited financial statements of G8 Education for the financial years ended 31 December 2013 and 31 December 2014.

On 10 August 2015 G8 Education released its half yearly consolidated financial accounts for the financial period ending 30 June 2015. An electronic copy of this report can be obtained from G8 Education's website <http://www.g8education.edu.au> or from ASX.



Consolidated Balance Sheet for G8 Education

	Consolidated	
	2014	2013
	\$'000	\$'000
ASSETS		
Current assets		
Cash and cash equivalents	120,804	114,043
Trade and other receivables	14,164	9,613
Other current assets	13,642	4,424
Total current assets	148,610	128,080
Non-current assets		
Receivables	-	1,640
Property plant and equipment	29,575	18,069
Deferred tax assets	15,448	7,320
Goodwill	809,162	326,857
Total non-current assets	854,185	353,886
Total assets	1,002,795	481,966
LIABILITIES		
Current liabilities		
Trade and other payables	75,567	39,825
Borrowings	-	3,778
Employee entitlements	18,110	11,214
Derivative financial instruments	230	283
Current tax liabilities	9,655	8,910
Total current liabilities	103,562	64,010
Non-current liabilities		
Borrowings	352,944	110,436
Other payables	652	760
Provisions	3,628	1,974
Total non-current liabilities	357,224	113,170
Total liabilities	460,786	177,180
Net assets	542,009	304,786
EQUITY		
Contributed equity	548,374	302,001
Reserves	8,877	18,884
Retained earnings	(15,242)	(16,099)
Total equity	542,009	304,786

G8 EDUCATION LIMITED'S BIDDER'S STATEMENT
SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER

Consolidated Income Statement for G8 Education

	Consolidated	
	2014	2013
	\$'000	\$'000
Revenue		
Revenue from continuing operations	482,110	274,615
Other income	9,178	550
Total Revenue	491,288	275,165
Expenses		
Employee benefits	(269,993)	(159,586)
Occupancy	(56,086)	(33,323)
Direct costs of providing services	(40,147)	(22,191)
Amortisation	(1,650)	(381)
Depreciation	(5,076)	(3,129)
Insurance	(1,074)	(698)
Other expenses	(10,061)	(6,468)
Finance costs	(34,640)	(4,790)
Total expenses	(418,727)	(230,566)
Profit before income tax	72,561	44,599
Income tax expense	(19,830)	(13,527)
Profit for the year attributable to members of the parent entity	52,731	31,072
	Cents	Cents
Basic earnings per share	16.15	11.28
Diluted earnings per share	16.15	11.28



Consolidated Statement of Cash Flows for G8 Education

	Consolidated	
	2014	2013
	\$'000	\$'000
Cash flows from Operating Activities		
Receipts from customers	494,744	274,595
Payments to suppliers and employees	(383,483)	(218,783)
Interest received	2,919	1,481
Interest paid	(14,240)	(2,039)
Income taxes paid	(25,224)	(12,219)
Net cash inflows from operating activities	74,716	43,035
Cash flows from Investing Activities		
Payments for purchase of businesses (net of cash acquired)	(447,751)	(98,536)
Repayment of loans	1,642	277
Proceeds from sale of property, plant and equipment	-	557
Payments for property plant and equipment	(16,508)	(10,500)
Net cash outflows from investing activities	(462,617)	(108,202)
Cash flows from Financing Activities		
Share issue costs	(7,249)	(4,440)
Debt issue costs	(7,845)	(1,495)
Dividends paid	(33,273)	(19,232)
Proceeds from issue of corporate notes	272,963	70,000
Proceeds from issue of shares	216,499	115,854
Repayment of borrowings	(46,579)	(3,514)
Net cash inflows from financing activities	394,516	157,173
Net increase in cash and cash equivalents	6,615	92,006
Cash and cash equivalents at the beginning of the financial year	114,029	21,777
Effects of exchange rate changes on cash	(465)	246
Cash and cash equivalents at the end of the financial year	120,179	114,029

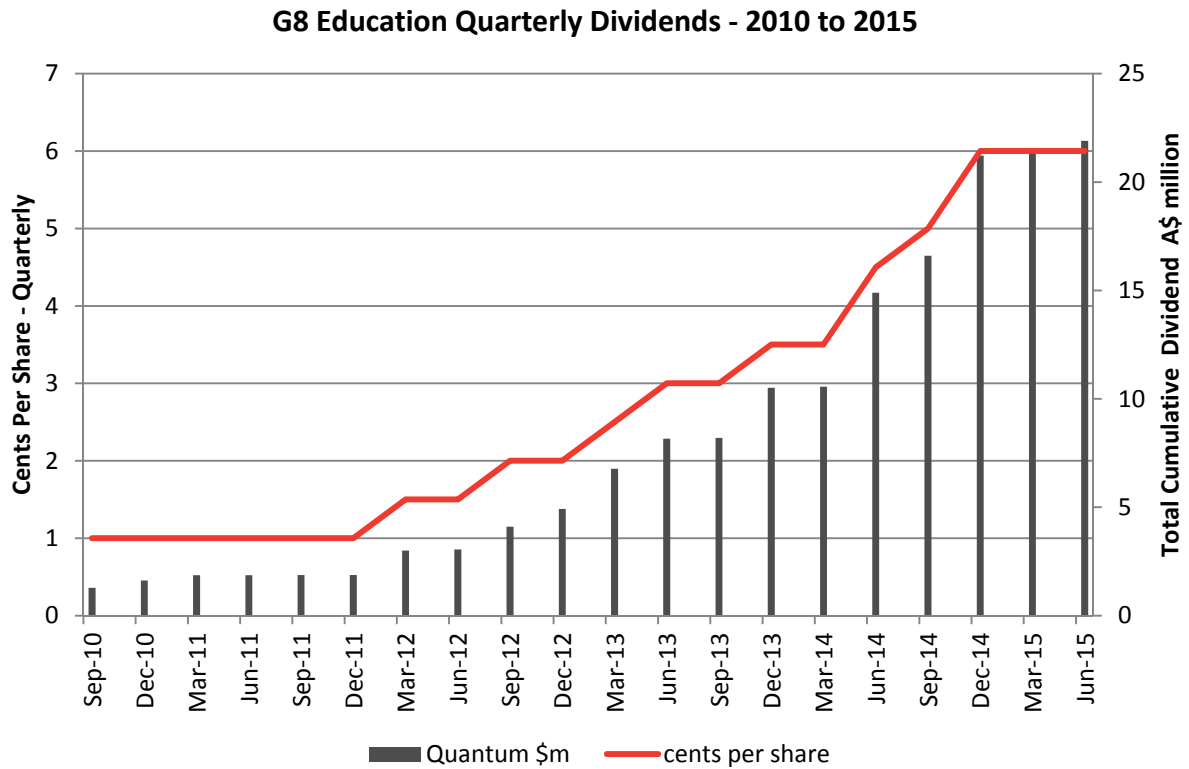
5.11 G8 EDUCATION CAPITAL STRUCTURE

The total number of G8 Education Shares on issue is 367,825,477 ordinary shares. The effect of this [Scrip Offer](#) on G8 Education's capital structure is set out in section 7.



5.12 G8 EDUCATION DIVIDEND HISTORY

G8 Education has declared and paid quarterly dividends since 2010. G8 Education currently pays 6 cents per share as a quarterly fully franked dividend. G8 Education's dividend history is reflected graphically below:





5.13 G8 EDUCATION DEBT PROFILE

G8 Education has ~~no-varied its existing finance arrangement with senior secured bank debt. It Bank of Western Australia.~~ G8 Education now has \$50 million undrawn and available for the purpose of refinancing of Affinity Education's existing debt arrangements with Commonwealth Bank of Australia.

G8 Education ~~it~~ has raised debt through the issue of unsecured notes. The key commercial terms are summarised as follows:

DEBT ¹³	MATURITY DATE	COUPON
\$70 million	7 August 2019	7.65% pa (fixed)
\$50 million	3 March 2018	BBSW + 3.90 % pa (variable)
SGD \$175 million	19 May 2017	4.75% pa (fixed)
SGD \$85 million	19 May 2017	4.75% pa (fixed)
<u>SGD \$155 million</u>	<u>2 August 2016</u>	<u>3.5% pa (fixed)</u>

Proceeds from the placement of SGD \$155 million of unlisted, unsecured notes with a maturity date of 2 August 2016 will be used to fund the Cash Offer (or elections to receive cash under the Scrip Offer). Details of the unsecured notes issued are set out in G8 Education's ASX announcement on 3 August 2015.

G8 Education has issued unsecured notes in both Australia and in Singapore. The Board is of the view that ~~at~~ as the relevant maturity dates the unsecured notes issued prior to 31 July 2015 will be refinanced in the same currency as they have been issued, meaning the Australian issued unsecured notes will be refinanced in Australian dollars and the Singapore issued unsecured notes will be refinanced in Singapore dollars. The Board ~~has~~ consequentially determined not to hedge G8 Education's currency position as any translation adjustment for accounting purposes is a non cash item, and accordingly does not impact G8 Education's operating performance.

The funds from the issue of the SGD\$ 155 million on 31 July 2015 have been converted into Australian dollars. G8 Education intends to hedge the funds raised in this tranche for four months.

5.14 G8 EDUCATION'S SUBSTANTIAL HOLDERS

Based on material lodged with ASX as at the day before this Bidder's Statement, each of the following persons has identified itself as having a substantial holding in G8 Education:

G8 EDUCATION SHAREHOLDER	NUMBER	PERCENTAGE
UBS Group AG	31,891,193	8.67%
Greencape Capital Pty Ltd	23,107,441	6.28%
National Australia Bank Limited	22,980,087	6.25%
Challenger Limited	22,174,168	6.03%

¹³ The relevant terms of issue of the unsecured note are set out in the issuance documents released to the market on 3 March 2014, 5 May 2014 ~~and~~ 7 August 2014 and 3 August 2015.

G8 EDUCATION LIMITED'S BIDDER'S STATEMENT SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER

5.15 RECENT TRADING IN G8 EDUCATION SHARES

G8 Education Shares are quoted on the ASX. Set out below is a table showing recent trading prices of G8 Education Shares on the ASX:

COMPARATIVE TRADING PERIOD OF G8 EDUCATION SHARES	PRICE
Highest trading price in the 4 month period to the date of this Bidder's Statement was lodged with ASIC	\$4.15
Lowest trading price in the 4 month period to the date of this Bidder's Statement was lodged with ASIC	\$2.86
Closing trading price on the last trading day prior to G8 Education's announcement of its intention make the <u>Scrip</u> Offer, being 2 July 2015	\$3.25
Closing price of G8 Education Shares on 2931 July 19 August 2015 being the day before this Bidder's Statement was lodged with ASIC, being 30 July 3 August 2015	\$3.11 ^{#insert} 3.2940

5.16 PUBLICLY AVAILABLE INFORMATION

G8 Education is a company listed on ASX (ASX:GEM) and is subject to the continuous and periodic disclosure requirements of the Listing Rules and the Corporations Act. A substantial amount of information on G8 Education is publicly available and may be accessed by referring to G8 Education on www.asx.com.au.

A list of announcements made by G8 Education to ASX between 31 December 2014 and the date of this Bidder's Statement is set out in Schedule 2. This information may be relevant to your assessment of the Scrip Offer. Copies of the announcements are available from ASX.

5.17 FURTHER INFORMATION

Further information about G8 Education can be found on G8 Education's website: www.g8education.edu.au.



6 Profile of Affinity Education

6.1 DISCLAIMER

The following information on Affinity Education has been prepared by G8 Education using publicly available information, and has not been independently verified. Accordingly, to the extent permitted by law G8 Education does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

The information on Affinity Education in this Bidder's Statement should not be considered comprehensive.

In addition, the Corporations Act requires Affinity Education to provide a Target's Statement to Affinity Education Shareholders in response to this Bidder's Statement, setting out certain material information concerning Affinity Education.

6.2 OVERVIEW

Affinity Education Group Limited (ASX: AFJ) listed on the ASX on 9 December 2013. Incorporated in May 2013, Affinity Education owns and operates 161 education and childcare centres across Queensland, New South Wales, Victoria, Western Australia and the Northern Territory.

6.3 BUSINESS OPERATIONS

Affinity Education is a for profit provider of education and childcare in Australia with 161 owned and operated centres and a daily licence capacity of approximately 12,000 children.

Affinity Education operates a tiered management structure.

At the corporate level, the business is responsible for providing centralised management of shared services, as well as operational and executive support. Responsibility for the day to day running of individual centres is delegated to each centre director and support staff, who are overseen at a regional level by area managers reporting to Affinity Education management.¹⁴

¹⁴ Affinity Education, Prospectus, 12 November 2013, page 10



6.4 LOCATIONS OF CHILDCARE AND EDUCATION CENTRES

Affinity Education has a geographically diversified portfolio of 161 owned and operated centres located across Australia, with a balance between metropolitan and non-metropolitan locations as depicted below:¹⁵



Centre locations have a higher weighting towards areas with household incomes which are less than \$130,000 per annum.

Affinity Education has a cluster strategy and is targeting a reweighting to Sydney and Melbourne.¹⁶

¹⁵ Affinity Education, Market Update Presentation, ASX, 7 July 2015, page 2

¹⁶ Affinity Education, 2014 Results Presentation, ASX, 27 February 2015, page 14



6.5 AFFINITY EDUCATION BRAND PORTFOLIO

Affinity Education operates a diversified brand strategy to leverage existing community value and mitigate risk.

The table below illustrates the centre brands in the Affinity Education Portfolio as at 27 February 2015.¹⁷



6.6 OCCUPANCY RATES

Affinity Education's occupancy is currently 77%, with weekly growth forecast between 0.4% and 0.6%.¹⁸

Affinity Education has forecast that occupancy is expected to peak in the mid to high eighties around November and December 2015.

By comparison, Affinity Education occupancy for 2014 was 80%.¹⁹

Affinity Education's stated occupancy plan is to:²⁰

- Focus on attracting new families to Affinity Education centres:
 - Bespoke marketing campaigns tailored to the specific region, including community involvement;
 - Investment in staff to enhance educational programs and attract improved local support
- Focus on upselling to existing Affinity Education existing families:
 - Creating awareness of the development and socialisation benefits of children attending our programs;
 - Informing families of existing government subsidies and assisting them to maximise their usage.

¹⁷ Affinity Education 2014 Results Presentation, ASX, 27 February 2015, page 15

¹⁸ Affinity Education, Investor Update, ASX, 7 July 2015

¹⁹ Affinity Education, 2014 Results Presentation, ASX, 27 February 2015, page 16

²⁰ Affinity Education, Investor Update, ASX, 7 July 2015

6.7 STRATEGY

Affinity Education's business strategy is to aim to achieve efficiencies and economies of scale in its business through the integration of both individual and multiple centres.

Affinity Education's strategy is to grow its business through:

- Organic growth including improvements in revenue levels and efficiencies gained through corporatising a large portfolio of centres; and
- A considered and disciplined acquisition strategy.²¹

6.8 DIRECTORS AND SENIOR MANAGEMENT

Stuart James BA (Hons) – Chairman, Independent Non-Executive Director

Stuart James is an experienced executive across multiple sectors. Stuart's past roles have included Managing Director of Australian Financial Services for Colonial Group Ltd and Managing Director of Colonial State Bank. Stuart also held an executive role as Chief Executive Officer of the Mayne Group Ltd from January 2002 to November 2005.

Justin Michael Laboo BSc, LLB, MBA – Chief Executive Officer and Managing Director

Justin Laboo was an executive general manager of FKP Limited, an Australian property and investment company, between November 2006 and September 2012. Justin also held the position of Managing Director of Forest Place Group, an ASX listed company operating in the aged care sector. Justin has previously held chairman and director responsibilities on numerous private company boards.

Stephanie Daveson BA, LLB (Hons) – independent Non-Executive Director

Stephanie Daveson is a partner with national law firm Corrs Chambers Westgarth and has over two decades experience advising companies, principally on mergers and acquisitions, equity capital markets and governance. Stephanie is one of 10 partners who comprise Corrs' Executive Leadership Team and co-chairs the firm's China Country Group. Stephanie was named Best Lawyer Corporate/Governance and Best Lawyer Mergers and Acquisitions in the Best Lawyers Peer Review.

Jeffrey Forbes BComm, GAICD – Independent Non-Executive Director

Jeffrey Forbes has 35 years experience in senior financial and managerial roles with extensive mergers and acquisitions experience. Jeff was Chief Financial Officer, Company Secretary and Executive Director of Finance of Cardno Ltd from 2006 to March 2013. During this time, Jeff oversaw more than 30 acquisitions and the growth of Cardno Ltd from a company with revenues of \$180 million to \$1.2 billion. Jeff has a significant background in project development in Australasia and the Asia-Pacific region. Jeff was an executive director and chief financial officer of Highlands Pacific and has held senior financial roles with a number of major companies operating in the resources sector.

²¹ Affinity Education, Prospectus, ASX, 12 November 2013

**Gabriel Giufre – Chief Operating Officer and Executive Director**

Gabriel Giufre as Managing Director of Eternal Echoes (non-listed childcare business), has 14 years experience in the childcare sector having been responsible for the operation of that business since 2005. Gabriel has extensive knowledge of all operational and performance requirements in delivering childcare services.

Paul Cochrane – Chief Financial Officer and Company Secretary

Paul Cochrane is the Chief Financial Officer and Company Secretary of Affinity Education. Paul has over 25 years of financial and commercial experience in listed companies, most recently as chief financial officer and company secretary at Devine Limited, a position he held since 2009. Prior to this, he worked at FKP Limited and spent seven years with Lend Lease in the role of Project Director and Commercial Operations Manager. He commenced his career with 9 years at PriceWaterhousecoopers in Brisbane, Hong Kong and London. Paul is a member of the Institute of Chartered Accountants and Institute of Company Directors.



6.9 FINANCIAL PROFILE OF AFFINITY EDUCATION

Affinity Education released its full consolidated financial accounts for the financial period ending 31 December 2014 on 27 February 2015. An electronic copy of this report can be obtained from Affinity Education's website <http://www.affinityeducation.com.au/> or from ASX.

The historical financial information below relates to Affinity Education on a stand-alone basis and does not reflect any impact of the Scrip Offer. It is an extract only. The full consolidated financial accounts for the financial periods ended 31 December 2013 and 31 December 2014 which includes notes to these financial statements, can be found in Affinity Education's 2013 and 2014 annual reports. Copies of those annual reports and the half year report for the period ending 30 June 2014 are available on Affinity Education's website.

The consolidated balance sheet, income statement and cash flow statement of Affinity Education set out below has been extracted from the annual financial statements released by Affinity Education prior to the date of this Bidder's Statement being audited financial statements of Affinity Education for the financial years ended 31 December 2013 and 31 December 2014.

On 18 August 2015 Affinity Education released its half yearly consolidated financial accounts for the financial period ending 30 June 2015. An electronic copy of this report can be obtained from Affinity Education's website <http://www.affinityeducation.com.au/> or from ASX.



Consolidated Balance Sheet for Affinity Education

	31 December 2014 \$'000	31 December 2013 \$'000
ASSETS		
Current Assets		
Cash and cash equivalents	3,286	3,068
Trade and other receivables	4,453	2,176
Other current assets	3,179	392
Non-current assets classified as held for sale	250	250
Total Current Assets	11,168	5,886
Non-current Assets		
Property, plant and equipment	7,121	3,358
Intangibles	172,677	62,122
Deferred tax assets	5,097	3,456
Total Non-current Assets	184,895	68,936
Total Assets	196,063	74,822
LIABILITIES		
Current Liabilities		
Trade and other payables	9,807	5,073
Borrowings	681	19
Income tax	2,896	0
Provisions	5,888	2,881
Other	3,021	452
Total Current Liabilities	22,293	8,425
Non-current Liabilities		
Borrowings	22,038	40
Provisions	2,100	843
Other	1,420	75
Total Non-current Liabilities	25,558	958
Total Liabilities	47,851	9,383
Net Assets	148,212	65,439
EQUITY		
Issued capital	161,192	74,295
Accumulated losses	(12,980)	(8,856)
Total Equity	148,212	65,439

G8 EDUCATION LIMITED'S BIDDER'S STATEMENT
SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER

Consolidated Income Statement for Affinity Education

	Consolidated	
	2014 \$'000	Period from 21 May 2013 to 31 December 2013 \$'000
Revenue	111,890	3,677
Total Revenue	111,890	3,677
Expenses		
Direct costs of providing services	(6,829)	(503)
Employee benefits expense	(69,031)	(3,335)
Depreciation and amortisation expense	(1,227)	(67)
Administration expenses	(2,921)	(368)
Occupancy expenses	(14,833)	(698)
Acquisition and integration expenses	(16,342)	(8,094)
Finance costs	(808)	(60)
Total expenses		
Loss before income tax (expense)/benefit	(101)	(9,448)
Income tax expense (expense)/benefit	(4,023)	592
Loss after income tax expense for the year attributable to the owners of Affinity Education Group Limited	(4,124)	(8,856)
Total comprehensive income for the year attributable to the owners of Affinity Education Group Limited	(4,124)	(8,856)
	Cents	Cents
Basic earnings per share	(2.9)	(62.4)
Diluted earnings per share	(2.9)	(62.4)

Form



Consolidated Statement of Cash Flows for Affinity Education

	Consolidated	
	2014 \$'000	Period from 21 May 2013 to 31 December 2013 \$'000
Cash flows from Operating Activities		
Receipts from customers (inclusive of GST)	109,764	1,958
Payments to suppliers and employees (inclusive of GST)	(91,091)	(914)
Acquisition and integration costs	(14,108)	(7,799)
Interest received	429	0
Interest and other finance costs paid	(808)	(22)
Income taxes paid	(650)	0
Net cash from/(used in) Operating Activities	3,536	(6,777)
Cash flows from Investing Activities		
Payments for purchase of businesses	(96,715)	(60,414)
Payments for property, plant and equipment	(1,176)	(79)
Payments for intangibles	(70)	(744)
Payments for security deposits	0	(22)
Net cash used in Investing Activities	(97,961)	(61,259)
Cash flows from Financing Activities		
Proceeds from issue of shares	75,174	76,925
Share issue transaction costs	(3,191)	(5,880)
Proceeds from borrowings	22,138	0
Proceeds from seed capital loans	0	1,375
Proceeds from/(repayment of) lease liability	522	59
Repayment of seed capital loans	0	(1,375)
Net cash from Financing Activities	94,643	71,104
Net increase in cash and cash equivalents	218	3,068
Cash and cash equivalents at the beginning of the financial year	3,068	0
Effects of exchange rate changes on cash		
Cash and cash equivalents at the end of the financial year	3,286	3,068

6.10 IMPORTANT NOTE ON SOURCES OF FINANCIAL INFORMATION

G8 Education has relied on the information in financial reports issued by Affinity Education to prepare the financial information for Affinity Education contained in this Bidder's Statement. Financial information relating to Affinity Education has been sourced from its audited financial reports for the years ended 31 December 2013 and 31 December 2014.

G8 Education does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.



6.11 AFFINITY EDUCATION CAPITAL STRUCTURE

- G8 Education's Scrip Offer is to acquire all of the issued Affinity Education Shares and any Affinity Education Shares issued during the Offer Period as a result of the exercise of Affinity Education Rights.
- At the date of this Bidder's Statement, there are:
 - 231,451,639 Affinity Education Shares on issue; and
 - 1,327,141 Affinity Education Rights.

6.12 AFFINITY EDUCATION RIGHTS

The Affinity Education Rights were granted to certain executive directors and senior managers on 12 May 2015 in accordance with Affinity Education's long term equity incentive plan (**Equity Incentive Plan**).

The terms of the Equity Incentive Plan were summarised in Affinity Education's 2014 notice of annual general meeting and were approved by Affinity Education Shareholders for the purposes Listing Rule 7.2 Exception 9 at the meeting on 17 April 2015.

In accordance with the Equity Incentive Plan each Affinity Education Right is subject to certain vesting conditions, performance conditions and may be subject to disposal restrictions. On satisfaction of the performance and vesting conditions each Affinity Education Right will convert into 1 Affinity Education Share.

As advised by Affinity Education on 12 May 2015 for the Affinity Education Rights issued in 2015, earnings per share growth and relative total shareholder return were selected as the appropriate benchmarks. The performance measurement period ends 31 December 2017.

The benchmarks achieved will be determined by the Affinity Education Board in early 2018 following the release of Affinity Education's financial results for the year ended 31 December 2017.

Subject to the achievement of the relevant benchmarks the Affinity Education rights will either lapse or vest (in which case the holder will be transferred or issued 1 Affinity Education Share for each vested Affinity Right for no additional consideration).

In accordance with the terms of the Equity Incentive Plan, in the event that the Scrip Offer becomes unconditional and G8 Education obtains a Relevant Interest in more than 50% of the Affinity Education Shares each Affinity Education Right will automatically convert into 1 Affinity Education Share and no disposal restrictions will apply to the shares. The Affinity Education Board also has the discretion to declare that the Affinity Education Rights are free of vesting conditions and disposal restrictions in certain circumstances where in the opinion of the Affinity Education Board, the Scrip Offer is likely to be declared unconditional.

6.13 AFFINITY EDUCATION DIVIDEND HISTORY

No dividends were declared or paid by Affinity Education during the financial year ending 31 December 2014. Affinity Education announced on 17 April 2015 an intention to declare a maiden dividend for the financial year ending 31 December 2015.



6.14 DEBT PROFILE

Affinity Education has a \$117.5 million secured debt facility in place with the Commonwealth Bank of Australia Limited²². As at 30 June 2015 Affinity Education had drawn debt of \$34 million²³.

6.15 AFFINITY EDUCATION'S SUBSTANTIAL HOLDERS

Based on material lodged with ASX as at the day before this Bidder's Statement, each of the following persons has identified itself as having a substantial holding in Affinity Education:

AFFINITY EDUCATION SHAREHOLDER	NUMBER	PERCENTAGE
G8 Education	46,051,790	19.89%
Argo Investments Limited	15,512,010	6.70%
Affinity Education	12,443,305	5.38%

6.16 RESTRICTION AGREEMENTS

At the date of this Bidder's Statement Affinity Education is party to voluntary escrow arrangements with certain Affinity Education Shareholders which arrangements relate to 12,443,305 Affinity Education Shares. The holder is free to accept the Scrip Offer when it becomes unconditional in circumstances where Affinity Education Shareholders holding no less than 50% of the bid class shares that are not subject to escrow have accepted the Scrip Offer.

6.17 RECENT TRADING IN AFFINITY EDUCATION SHARES

Affinity Education Shares are quoted on the ASX. Set out below is a table showing recent trading prices of Affinity Education Shares on the ASX:

COMPARATIVE TRADING PERIOD OF AFFINITY EDUCATION SHARES	PRICE
Highest trading price in the 4 month period to the date of this Bidder's Statement was lodged with ASIC	\$1.15
Lowest trading price in the 4 month period to the date of this Bidder's Statement was lodged with ASIC	\$0.49
Closing trading price on the last trading day prior to G8 Education's announcement of its intention make the <u>Scrip</u> Offer, being 2 July 2015	\$0.54
Closing price of Affinity Education Shares on 29 July <u>19 August</u> 2015 being the day before the date this Bidder's Statement was lodged with ASIC, being 30 July <u>3 August</u> 2015	\$0.82 <u>\$0.774</u>

²² Affinity Education Market Presentation 7 July 2015

²³ Affinity Education improves pricing, increases the size and extends maturity of existing debt of \$34 million 15 June 2015

**6.18 PUBLICLY AVAILABLE INFORMATION**

Affinity Education is a company listed on ASX and is subject to the periodic and continuous disclosure requirements of the Listing Rules and the Corporations Act. A substantial amount of information on Affinity Education is publicly available and may be accessed by referring to Affinity Education on www.asx.com.au. A list of announcements made by Affinity Education on ASX between 31 December 2014 and the date of this Bidder's Statement appears in Schedule 3.

6.19 FURTHER INFORMATION

Further information about Affinity Education can be found on Affinity Education's website: <http://www.affinityeducation.com.au/>.



7 Profile of Merged Group

7.1 INTRODUCTION

The profile of the Merged Group will vary depending on the outcome of the [Scrip Offer and Cash Offer](#). Unless otherwise indicated, the description of the Merged Group in this section 7 assumes that Affinity Education is a wholly-owned subsidiary of G8 Education. If G8 Education is not entitled to compulsorily acquire Affinity Education Shares during the Offer Period, some of the benefits that would otherwise accrue to G8 Education if Affinity Education were to become a wholly-owned subsidiary of G8 Education may not be fully realised.

7.2 OVERVIEW OF THE MERGED GROUP

The Merged Group will provide investors with exposure to 673 education and childcare services throughout every state and territory in Australia and also in Singapore, whilst maintaining a multi-brand strategy focussed on community involvement and family engagement.

The creation of one larger single company by way of a merger, would have a number of benefits for the shareholders of both Affinity Education and G8 Education. These benefits include:

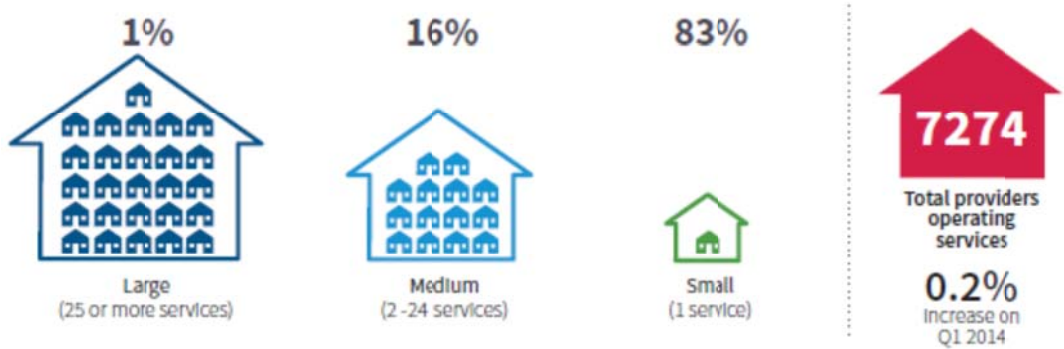




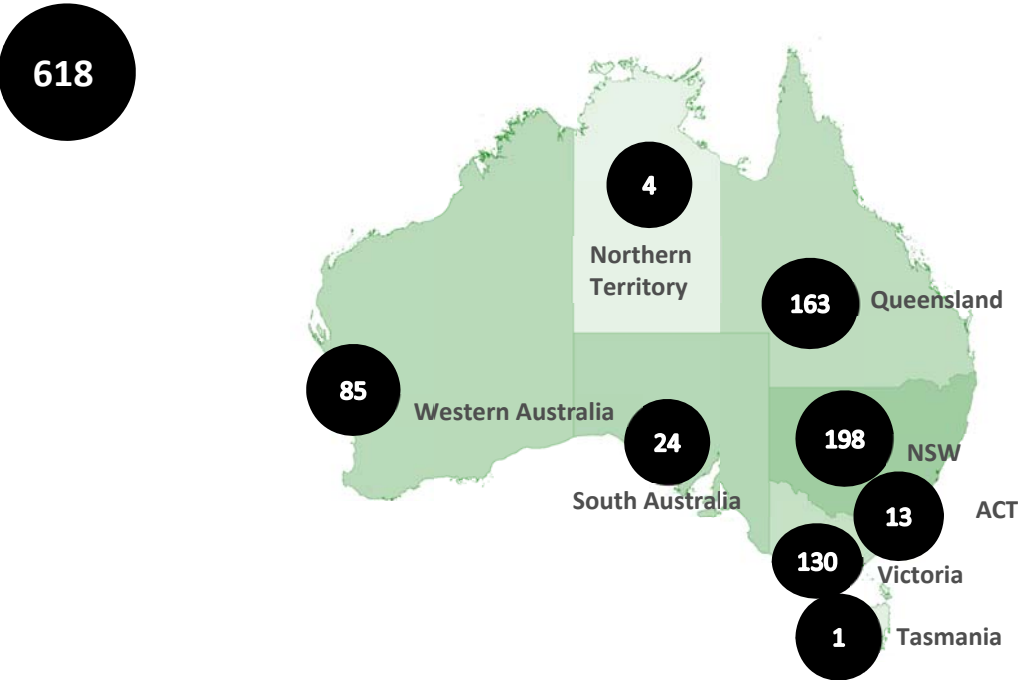
7.3 COMPETITOR IN A CONTINUING FRAGMENTED MARKET

The education and childcare sector is characterised by its small scale nature. Goodstart Early Learning Limited is the largest provider, with approximately 678 centres and an overall estimated market share of 10.4%.²⁴ Concentration of providers in the industry remains low.

The National Quality Framework snapshot for Quarter 1, 2015 reported the following proportions of approved providers with services by size on 31 May 2015:²⁵



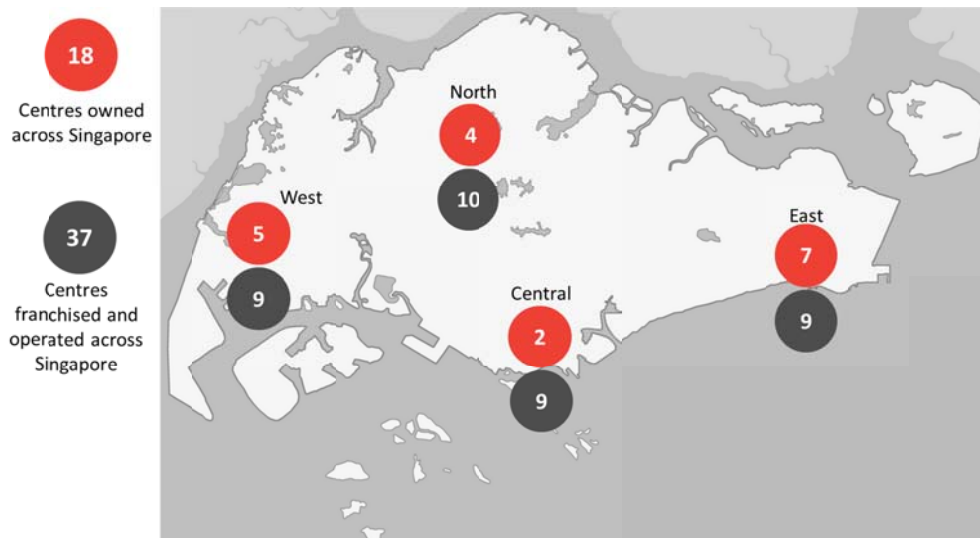
Merged Group – centre locations - Australia



²⁴ IBISWorld Report, Child Care Services in Australia, October 2014, page 19
²⁵ Australian Children’s Education & Care Quality Authority, NQF Snapshot Q1, 2015, May 2015, page 6



Merged Group – centre locations – Singapore



7.4 STRATEGY OF MERGED GROUP

The Merged Group intends to continue to pursue a strategy to be Australia's leading provider of high quality, developmental and educational childcare services.

This will be achieved through the Merged Group's core strategies of disciplined acquisition and operational excellence together with an organisational commitment to the children and families who attend the Merged Group's educational and childcare centres.

The Merged Group will continue to invest heavily in its people, centre learning environments and educational curriculum, recognising that exceptional results for the Merged Group's children can only be achieved if the Merged Group is operating at maximum efficiency, both operationally and financially.

The Merged Group will pursue an objective of increasing the profitability and market share of its education and childcare business through organic and acquisition led growth.

7.5 CAPITAL STRUCTURE OF THE MERGED GROUP

G8 Education owns 19.89% of the current Affinity Education Shares. The following table represents the effect of the Scrip Offer on G8 Education's capital structure based on G8 Education owning 100% and 50% (respectively) of the Affinity Education Shares on issue, excluding the effect of the Affinity Education Rights and ignoring rounding:

	100%		50%	
	NUMBER	%	NUMBER	%
G8 Education Shares on issue at the date of this Bidder's Statement	367,825,477	90.15%	367,825,477	96.05%
New G8 Education Shares issued to Affinity Education Shareholders	40,220,370	9.85%	15,117,156	3.95%
Total G8 Education Shares on issue after the <u>Scrip</u> Offer	408,045,847	100%	382,942,633	100%



7.6 PRO FORMA BALANCE SHEET ASSUMING G8 EDUCATION ACQUIRES 100 PERCENT AND 50 PERCENT OF AFFINITY EDUCATION

Summary of information

The information included in this section ~~7~~7 is pro forma financial information for the Merged Group comprising G8 Education and Affinity Education as at 31 December 2014 and assuming two scenarios. The first scenario is that G8 Education acquires 100 percent of Affinity Education under this Scrip Offer, and the second scenario is that G8 Education acquires 50 percent of Affinity Education under this Scrip Offer. The unaudited pro forma combined balance sheet of the Merged Group as at 31 December 2014 (**Pro Forma Balance Sheet**) presented below has been produced with reference to the audited financial reports for G8 Education and Affinity Education as at 31 December 2014.

The financial information reflects the latest publicly available information for Affinity Education that is capable of being compared.

The pro forma financial information does not represent what the Merged Group would look like on a consolidated basis, since it is not possible to produce this information from publicly available information. No adjustments for potential synergy benefits have been included as the exact timing and amount of those benefits cannot be reliably estimated. However, the Pro Forma Balance Sheet does reflect the issue of G8 Education Shares to Affinity Education Shareholders, and other adjustments required as a result of this Scrip Offer.

The pro forma financial information does not assume any level of acceptance under the Cash Offer, nor does it reflect the debt facilities described in section 5.13~~5-13~~, which have been put in place to fund the Cash Offer. To the extent that funds under that facility are not required for the Cash Offer, G8 Education intends to repay the relevant unsecured notes. To the extent that the unsecured notes are required, they will represent a current liability on G8 Education's balance sheet.

The Pro Forma Balance Sheet is for illustrative purposes only and is based on numerous assumptions that may or may not reflect the actual financial position of the Merged Group after completion of the Scrip Offer. In addition, the Pro Forma Balance Sheet is presented in a summary format and does not contain all the disclosures required under the Corporations Act.

Financial information relating to Affinity Education has been sourced from its audited financial reports for the financial year ended 31 December 2014. G8 Education has relied on this information in preparing the Pro Forma Balance Sheet.

G8 Education does not, except as required by law, make any representation or warranty, express or implied, as to the accuracy or completeness of this information.

G8 Education has not had access to the directors, management or staff of Affinity Education or to any working papers, accounting records or other documents for the purposes of preparing this financial information. Therefore, it has not been possible to independently verify any of the financial information relating to Affinity Education used in preparation of the Pro Forma Balance Sheet.

The pro forma financial information presented in this section should also be read in conjunction with the risks set out in section 9, other information contained in this Bidder's Statement and the accounting policies of G8 Education and Affinity Education as disclosed in their most recent financial reports.



Pro Forma Balance Sheet

Set out below is the Pro Forma Consolidated Balance Sheet as at 31 December 2014 assuming G8 Education acquires 100% of the Affinity Education Shares [under this Scrip Offer](#) and 50% of the Affinity Education Shares [under this Scrip Offer of the Affinity Education Shares](#).

	31 December 2014 \$'000 100% of Affinity Education Shares acquired	31 December 2014 \$'000 50% of Affinity Education Shares acquired
ASSETS		
Current Assets		
Cash and cash equivalents	90,231	90,231
Trade and other receivables	18,617	18,617
Other current assets	16,821	16,821
Non-current assets classified as held for sale	250	250
Total Current Assets	125,919	125,919
Non-current Assets		
Property, plant and equipment	36,696	36,696
Intangibles	995,643,101,159	995,643,101,159
Deferred tax assets	20,545	20,545
Total Non-current Assets	1,052,884,071,400	1,052,884,071,400
TOTAL ASSETS	1,178,803,197,319	1,178,803,197,319
LIABILITIES		
Current Liabilities		
Trade and other payables	85,374	85,374
Borrowings	681	681
Income tax	12,551	12,551
Provisions	23,998	23,998
Other	3,251	3,251
Total Current Liabilities	125,855	125,855
Non-current Liabilities		
Borrowings	374,982	374,982
Provisions	5,728	5,728
Other	2,072	2,072
Total Non-current Liabilities	382,782	382,782
TOTAL LIABILITIES	508,637	508,637
NET ASSETS	670,166,688,682	670,166,688,692
EQUITY		
Issued capital	678,154,696,670	597,146,604,089
Reserves	8,877	8,877
Non controlling Interest	-	81,008,92,581
Accumulated losses	(16,865)	(16,865)
TOTAL EQUITY	670,166,688,682	670,166,688,682

7.7 PRO FORMA ADJUSTMENTS AND TRANSACTION ASSUMPTIONS

The following key assumptions have been made in producing the Pro Forma Balance Sheet:



General

The pro forma information has been prepared using the Australian International Financial Reporting Standards and reflects the accounting policies of G8 Education. It has not been audited. Amounts presented have been rounded.

The pro forma information has been prepared by aggregating the balance sheets of G8 Education and Affinity Education as at 31 December 2014.

The pro forma information excludes the impact of general trading and other transactions which have occurred since 31 December 2014.

Affinity Education acquisition

Financial information about Affinity Education has been obtained from publicly available sources.

The Pro Forma Balance Sheet assumes the acquisition of Affinity Education by G8 Education had been completed by that date. The actual date of the acquisition will be at a later date. AASB 3 'Business Combinations' states that the acquirer shall, at the acquisition date, allocate the cost of a business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair values at that date. Accordingly, G8 Education will assess the fair value of identifiable net assets of Affinity Education on completion of the acquisition.

The calculation of purchase consideration payable by G8 Education is calculated applying the closing price of G8 Education's shares on the trading day immediately before the Announcement Date.

The Pro Forma Balance Sheet is based on the assumption that the fair value of assets (other than intangible assets) and liabilities of Affinity Education are equal to their book value. A full purchase price allocation exercise will be undertaken post acquisition, and the fair value of the assets will be more accurately assessed at that time. This will not impact on the valuation of the business, but may impact the classification between tangible, identifiable intangible assets and goodwill.

Identifiable intangible assets recognised on acquisition may need to be amortised over the period of their economic benefit to the Merged Group and those amortisation charges will reduce future reported earnings. Due to limited public information available on Affinity Education, it is not possible for G8 Education to identify all of the intangible assets and consequent amortisation charges at this stage.

For fair value accounting purposes, each G8 Education Share issued under the Scrip Offer is assumed to have an issue price of \$3.25 (being the closing price of G8 Education Shares on ASX on the trading day immediately before the Announcement Date). The actual fair value of G8 Education Shares to be issued under the Scrip Offer is determined by the market price of G8 Education Shares at the actual date of acquisition of Affinity Education.

The accounting policies of G8 Education and Affinity Education are similar and consistent in all material aspects.

7.8 PROSPECTIVE FINANCIAL INFORMATION OF THE MERGED GROUP

G8 Education has given careful consideration as to whether a reasonable basis exists to produce reliable and meaningful forecast financial information on the Merged Group. The Board has concluded that providing forecast financial information would potentially be misleading. A reasonable basis does not exist for producing forecasts that would be sufficiently meaningful and reliable, particularly considering the effect that variations in key inputs may have on future earnings performance.



8 G8 Education's intentions

8.1 LIMITATIONS AND FURTHER REVIEW

- This section sets out G8 Education's current intentions for:
 - the continuation of Affinity Education's business;
 - any major changes to be made to Affinity Education's business, including the redeployment of the fixed assets of Affinity Education; and
 - the future employment of the present employees of Affinity Education.
- G8 Education's current intentions for Affinity Education have been formed following a review of information about Affinity Education that was publicly available at the date of this Bidder's Statement. G8 Education has not had the opportunity to conduct due diligence on Affinity Education. That review of public information by G8 Education did not provide G8 Education with sufficient information necessary to finally determine its intentions for Affinity Education. As such, statements set out in this section are statements of current intention only which may change as new information becomes available or circumstances change.
- Following the close of the Scrip Offer, it is G8 Education's intention to undertake a further detailed review of the operations, assets and employees of Affinity Education. The objective of the detailed review will be to:
 - evaluate the performance, prospects and strategic relevance of the Affinity Education business and childcare centres to G8 Education;
 - develop a strategy to effectively integrate Affinity Education's childcare and education centres with G8 Education's existing portfolio of childcare and education centres;
 - identify opportunities to increase occupancy at Affinity Education's childcare centres and improve wage efficiency; ~~and~~
 - assess opportunities to reduce costs associated with Affinity Education's current operations by merging the head office operations of G8 Education and Affinity Education; ~~and~~
 - refinance Affinity Education's existing debt facility with Commonwealth Bank

This review may result in G8 Education proposing changes to some of Affinity Education's existing operations.

Only upon completion of the detailed review, and in light of all material facts and circumstances will G8 Education finally determine its intentions for Affinity Education and will take the action it considers desirable to achieve optimum integration and synergies.

8.2 INTENTIONS UPON ACQUISITION OF 90 PERCENT OR MORE OF AFFINITY EDUCATION SHARES

This section sets out G8 Education's current intentions if, by virtue of acceptance of the Scrip Offer and Cash Offer, it obtains a Relevant Interest in 90 percent or more of the Affinity Education Shares and is entitled to proceed to compulsory acquisition of the outstanding Affinity Education Shares.

Compulsory acquisition

If it becomes entitled to do so, G8 Education intends to give notices to compulsorily acquire any outstanding Affinity Education Shares under section 661B Corporations Act and elect to acquire Affinity Education Shares issued as a result of exercise of the Affinity Education Rights:

- after the end of the Offer Period and before the compulsory acquisition notice; and
- within six weeks after the compulsory acquisition notice is given, in each case subject to satisfaction of the relevant statutory conditions.

In certain circumstances, G8 Education may be required to buy out the holders of Affinity Education Rights. G8 Education will comply with the statutory obligation in that regard.

Amend Affinity Education constitution

G8 Education intends to amend the constitution of Affinity Education to reflect its status as a wholly-owned subsidiary of G8 Education and will seek to convert Affinity Education from a public company to a proprietary company.

ASX listing

After conclusion of the compulsory acquisition process, G8 Education intends to procure that Affinity Education be removed from the official list of ASX.

Directors

G8 Education intends to replace all members of the Affinity Education Board and of the board of any company on which Affinity Education has nominee directors (including its Subsidiaries) with G8 Education nominee directors.

G8 Education's present intention is to appoint Jennifer Hutson, Chris Scott, Brian Bailison, Susan Forrester and Matthew Reynolds to the Affinity Education Board. Profiles for each of the proposed directors are set out in section 5.9.

Operations

G8 Education does not intend to make any material changes to Affinity Education's business. G8 Education will look to:

- leverage best practices between Affinity Education and G8 Education to enhance childcare centre occupancy;
- apply G8 Education's experience in operating a large number of high quality childcare centres to increase wage efficiency within the Affinity Education business;
- use G8 Education's acquisition experience to improve integration progressing plans internally within the Affinity Education group and of the Merged Group; and
- continue to develop Affinity Education's online early learning platform and curriculum tools.

Finally, G8 Education expects that it will be able to rationalise various administrative, management and corporate functions, the IT systems and certain duplicate services.

Employees

The acquisition of Affinity Education by G8 Education will provide Affinity Education with employees an opportunity to be a part of a larger Merged Group, which has a strong commitment to developing its employees and employee engagement.



With the benefit of its detailed review, G8 Education will consider the best allocation of Affinity Education employees to continuing and new roles. G8 Education expects that it should be able to retain Affinity Education's childcare and education centre employees.

G8 Education also expects that there will be overlap in administrative and corporate functions, including head office positions at Affinity Education that will have diminished responsibility. For example, certain head office positions associated with Affinity Education's financial management or its ASX listing will likely be no longer required if G8 Education acquires 100% of Affinity Education.

G8 Education would aim to identify suitable alternative roles for Affinity Education employees in business areas that are significantly adversely affected by any integration. Where this is not feasible or the employee does not wish to accept an alternative role, those individuals would receive redundancy payments and other benefits in accordance with their legal and contractual entitlements.

8.3 INTENTIONS UPON ACQUISITION OF BETWEEN 50 PERCENT AND 90 PERCENT OF AFFINITY EDUCATION SHARES

This section sets out G8 Education's current intentions if, by virtue of acceptance of the [Scrip Offer and the Cash Offer](#), it was to gain effective control of Affinity Education but was not entitled to proceed to compulsory acquisition of the outstanding Affinity Education Shares.

Compulsory acquisition

If G8 Education does not become entitled to compulsorily acquire Affinity Education Shares under section 661B Corporations Act, it may nevertheless become entitled to exercise the general compulsory acquisition power under part 6A.2 Corporations Act in the future. G8 Education intends to exercise that power if it becomes entitled to do so. This could occur, for example, if G8 Education acquired further Affinity Education Shares in reliance on the 3% creep exception provided in item 9 of section 611 Corporations Act.

ASX listing

G8 Education intends to seek that Affinity Education be removed from the official list of ASX.

Directors

If, following the close of the [Scrip Offer](#), G8 Education is the majority shareholder in Affinity Education, it will (subject to formal requirements of the Corporations Act and Affinity Education's constitution) seek to procure the appointment of a majority of G8 Education nominees to the Affinity Education Board so that the proportion of G8 Education nominee directors is broadly in line with G8 Education's voting power in Affinity Education. This would likely involve the removal of some of the existing directors of Affinity Education to ensure that director fees of the Affinity Education Board remain reasonable having regard to the financial capacity of the entity. G8 Education would determine which directors it would invite to resign, based on the G8 Education nominees to be appointed and having regard to maintaining an appropriate mix of skills on the Affinity Education Board. The identity of such nominee directors has not yet been determined, but nominees would likely be drawn from the existing G8 Education board of directors particularly those identified in Section 8.2. Such nominees will be directed to ensure that they comply with their fiduciary duties and obligations as directors of Affinity Education.

Intentions generally (including about matters at section 8.2 above)

If, following the close of the [Scrip Offer](#), Affinity Education becomes a controlled entity but not a wholly owned subsidiary of G8 Education, it is the present intention of G8 Education to procure that the new Affinity Education Board implements the objectives and goals outlined in section 8.2 to the extent possible and appropriate.

Limitations on intentions

To the extent that Affinity Education is not a wholly owned subsidiary of G8 Education and there are minority shareholders of Affinity Education, G8 Education intends to ensure that the G8 Education

nominees appointed to the board of Affinity Education will act at all times in accordance with their fiduciary duties and that all requisite shareholder approvals and other legal requirements are complied with in pursuing any of the intentions outlined above.

The requirement to have regard to those fiduciary duties in the context of a partly owned company and the possible requirements of minority shareholder approval may prevent the particular objective being achieved.

Dividend

G8 Education will review the dividend policy of Affinity Education having regard to any capital funding and ongoing operational requirements of the Affinity Education on the one hand and the appropriateness of paying dividends to Affinity Education Shareholders on the other.

8.4 INTENTIONS UPON ACQUISITION OF LESS THAN 50 PERCENT OF AFFINITY EDUCATION SHARES

The Scrip Offer is ~~conditional on~~ unconditional and acceptances will be honoured if G8 Education ~~obtaining~~ obtains a Relevant Interest in ~~more~~ less than 50% (by number) of Affinity Education Shares (inclusive of the 19.89% interest G8 Education already owns). ~~While G8 Education has no present intention to waive this condition, G8 Education is entitled to do so in accordance with the Corporations Act and reserves its right to do so.~~

Directors

If following the close of the Scrip Offer, G8 Education is the majority shareholder in Affinity Education, it will (subject to formal requirements of the Corporations Act and Affinity Education's constitution) seek to procure the appointment of a majority of G8 Education nominees to the Affinity Education Board notwithstanding that the proportion of G8 Education nominees would exceed G8 Education's voting power in Affinity Education. This would likely involve the removal of some of the existing directors of Affinity Education to ensure that director's fees of the Affinity Education Board remain reasonable having regard to the financial capacity of the entity. G8 Education would determine which director it would invite to resign, based on the G8 Education nominees to be appointed and having regard to maintaining an appropriate mix of skills on the Affinity Education Board. The identity of such nominee directors has not yet been determined, but nominees would likely be drawn from the existing G8 Education board of directors particularly those identified in Section 8.2. Such nominees will be directed to ensure that they comply with their fiduciary duties and obligations as directors of Affinity Education.

There is no guarantee that G8 Education will be granted or otherwise obtain the representation on the Affinity Education Board that it seeks.

Limitations on intentions

G8 Education will endeavour to implement its intentions as it has outlined in section 8.2 to the extent to which it is able to do so, subject to the limitations identified in section 8.3.



8.5 SPECIFIC INTENTIONS – AFFINITY EDUCATION RIGHTS

G8 Education is not offering to acquire any Affinity Education Rights. G8 Education encourages holders of Affinity Education Rights to exercise their Affinity Education Rights, to the extent they are entitled to do so, and accept the [Scrip Offer](#) in respect of the Affinity Education Shares issued on exercise.

8.6 INTENTIONS GENERALLY

Except for the changes and intentions set out in this section 8, G8 Education intends, based on the information presently known to it:

- to continue the business of Affinity Education;
- not to make any major changes to the business of Affinity Education or the deployment of Affinity Education assets; and
- to continue the employment of the majority of Affinity Education employees.



9 Risks

Before deciding whether to accept the Scrip Offer, you should read this Bidder's Statement carefully.

Affinity Education Shareholders will receive G8 Education Shares as consideration under the Scrip Offer. The value of G8 Education Shares will depend on the future performance of G8 Education and the market price of G8 Education Shares from time to time. The future performance of G8 Education may be influenced by factors associated with investing in both the education and childcare industry and listed securities generally which are beyond the control of G8 Education.

Affinity Education Shareholders should be aware of the following key risks that may affect the performance of the Merged Group and the value of G8 Education Shares issued under the Scrip Offer.

9.1 GENERAL RISKS

The price at which G8 Education Shares trade on ASX may be determined by a range of factors including movements in local and international equity and bond markets, general investor sentiment in those markets, inflation, interest rates, general economic conditions and outlooks and changes in the supply of, and demand for, education and childcare industry services.

The market for G8 Education Shares may also be affected by a wide variety of events and factors including changes in G8 Education's operating results, recommendations by securities analysts, and the operating and trading price performance of other listed education and childcare industry entities that investors consider to be comparable to G8 Education. Some of these factors could affect G8 Education's share price regardless of G8 Education's underlying operating performance.

9.2 SPECIFIC BUSINESS RISKS ASSOCIATED WITH G8 EDUCATION

Set out below are examples of risks associated with G8 Education. In determining these risks, the Directors have concentrated on risks attaching specifically or more acutely to an investment in G8 Education as compared to risks of the education and childcare industry and Affinity Education, to which Affinity Education Shareholders are already exposed.

- **Childcare operations in Singapore**

G8 Education owns 18 childcare centres and 37 centres franchised and operated childcare centres across Singapore. The Early Childhood Development Agency regulates and licenses childcare centres in Singapore through the *Child Care Centres Act* (Cap 37A) and the *Child Care Regulations* (Cap 37A, section 19). Infant care centres or centres offering infant/toddler care services are similarly bound by the regulatory regime. G8 Education must comply with the Singapore regulatory regime in carrying out its operations in Singapore. This includes obtaining the necessary clearances and licenses. Any change to the regulatory regime could affect the operation of the centres in Singapore and could impact on the profitability of G8 Education.

To enhance the affordability of childcare services in Singapore, the Singapore government provides childcare subsidies to working and non-working mothers whose children are enrolled in a license centre. Any reduction in the subsidies may have an adverse impact on G8 Education's operations in Singapore.



- **Franchising**

G8 Education's operations include managing franchised childcare centres in Singapore for a fee for service. G8 Education's operation in Singapore depends on its ability to identify, attract and retain suitably qualified and motivated franchisees. An inability to do so, or poor performance by the network of G8 Education's franchised centres, may have a materially adverse impact on the financial performance of G8 Education and could cause harm to the reputation of G8 Education (in particular the 'Our Juniors' and Cherie Hearts brands).

- **Exchange rate risks**

G8 Education is exposed to exchange rate movements between the Australian dollar and Singapore dollar, as a portion of G8 Education's costs are made in Singapore dollars. Also, a portion of G8 Education's revenue and profit is earned in Singapore dollars and it has corporate notes denominated in Singapore dollars. Therefore, movements in the exchange rate between the Australian dollar and Singapore dollar may have an impact on G8 Education's financial position and performance.

- **Reputation**

Having a reputation as being a provider of high quality childcare services is an important factor in ensuring that G8 Education maintains the occupancy rates and earnings of the childcare centres it owns and directly manages under a franchise arrangement. As G8 Education is the owner of a large number of childcare centres, there is a risk that an isolated incident occurring at one centre may impact on the reputation of G8 Education and impact adversely the profitability of some or all of G8 Education's childcare centres.

- **Key personnel**

G8 Education's business model depends on a management team with the talent and experience to integrate and manage new childcare centres into the G8 Education's core business operations. The ongoing success of G8 Education also depends on its ability to identify and retain high quality centre directors in Australia and Singapore who, with the assistance of G8 Education's head office management team, execute the strategies of G8 Education at a centre level.

There is a risk that operating and financial performance would be adversely affected by the loss of key personnel.



9.3 INDUSTRY RISKS

The Directors also note that G8 Education is subject to the same risks as Affinity Education in relation to the operation of childcare and education centres including:

- changes to law and government policy regulating the childcare industry;
- changes to childcare subsidies in Australia;
- changes to the early years demographic structure of the Australian population;
- sourcing high quality staff;
- lease arrangements;
- employee misconduct;
- competition; and
- regulatory and accreditation risk.

9.4 TRANSACTION SPECIFIC RISKS

- **Issue of G8 Education Shares as Scrip Offer consideration**

Affinity Education Shareholders are being offered G8 Education Shares as consideration under the Scrip Offer. As a result, the value of the Scrip Offer will fluctuate depending upon the market price of G8 Education Shares. The market price of the G8 Education Shares at the time you receive them may vary significantly from their market price on the date of your acceptance of the Scrip Offer. The price and value of the G8 Education Shares can be expected to fluctuate depending on various factors including general worldwide economic conditions, changes in government policies, investor perceptions, movements in interest rates and stock markets and variations in operating costs.

Furthermore, some of the Affinity Education Shareholders that receive G8 Education Shares as consideration under the Scrip Offer may not intend to continue to hold those G8 Education Shares and may sell them on the ASX. There is a risk that if a significant number of Affinity Education Shareholders seek to sell their G8 Education Shares, this may adversely impact the price of G8 Education Shares, at least in the short term.

- **Integration**

There are risks that any integration of G8 Education and Affinity Education may take longer than expected and that anticipated efficiencies and benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups and inability to achieve synergy benefits and cost savings and the potential loss of key personnel.

While G8 Education expects that value will be added through the ~~Offers~~Scrip Offer and Cash Offer, there is a risk that the full benefits may be achieved only in part or not at all.

- **Less than 100 percent ownership**

It is possible that G8 Education may not acquire all Affinity Education Shares under the Scrip Offer and Cash Offer. The impact upon G8 Education of acquiring less than 100 percent will depend upon the final level of ownership acquired. However, the existence of minority shareholders in Affinity Education could have an impact on G8 Education's intentions regarding Affinity Education (refer to Section 8).



▪ **Assumed financial information for Affinity Education**

There is a risk that the publicly available financial information provided by Affinity Education and utilised by G8 Education in formulating the Scrip Offer and preparing this Bidder's Statement is not correct in all material particulars.

▪ **Regulatory risks**

The Scrip Offer is not subject to ~~a number of Defeating Conditions, other than the statutory condition in section 625(3) Corporations Act regarding quotation of the G8 Education Shares (which cannot be waived), including the receipt of any necessary regulatory approvals or consents, such as any approvals or consents required from the ACCC.~~ G8 Education ~~may elect to waive any of the regulatory approval or consent conditions at its discretion, for example, in respect of the ACCC, where it~~ considers that there is limited risk of non-compliance with section 50 of the Competition and Consumer Act 2010. If G8 Education's views on such issues are incorrect or inconsistent with those of the ACCC (or any other regulator), a consequence may be regulatory action including a requirement to divest one or more centres to allay ACCC's concerns. G8 Education has held preliminary discussions with the ACCC. Based on those discussions and on legal advice that G8 Education has received, G8 Education does not anticipate any regulatory issues (including competition issues) and, to the extent there is any concern expressed by the ACCC in respect of any particular centres that G8 Education comes to control, the Board considers it can address those concerns without material effect on the operations of the Merged Group.

▪ **Reporting risks**

G8 Education has assumed that Affinity Education has met all of its reporting obligations and that disclosures made by it are true in all material respects and are not misleading in any material respects.



10 Sources of Offer Price

10.1 OFFER PRICE

The consideration for the acquisition of Affinity Education Shares under the Scrip Offer is to be satisfied by the issue of G8 Education Shares.

The number of G8 Education Shares to be issued under the offer will depend on the number of Affinity Education Shares that G8 Education acquires under the Scrip Offer.

10.2 MAXIMUM NUMBER OF G8 EDUCATION SHARES

The maximum number of G8 Education Shares required to be issued under the Scrip Offer if acceptances are received for all the Affinity Education Shares on issue at the date of this Bidder's Statement not already owned by G8 Education is approximately 40.22 million (excluding rounding adjustments).

G8 Education Shares issued under the Scrip Offer are exempt from ASX Listing Rule 7.1 (which prohibits issues of equity securities exceeding 15 percent of a company's share capital in any 12 month period). Accordingly, G8 Education has the capacity to issue the maximum number of G8 Education Shares that may need to be issued under the Scrip Offer.



11 Tax considerations

11.1 INTRODUCTION

The following is a summary of the potential Australian income tax consequences generally applicable to an Affinity Education Shareholder who disposes of Affinity Education Shares under the Scrip Offer. This summary is based on the law and practice in effect on the date of this Bidder's Statement.

The following summary is not intended to be an authoritative or complete statement of the tax law applicable to the specific circumstances of every Affinity Education Shareholder.

In particular the summary is only applicable to Affinity Education Shareholders that are Australian residents for income tax purposes and hold their Affinity Education Shares on capital account for income tax purposes. This summary does not apply to Affinity Education Shareholders that hold their Affinity Education Shares in the course of a business of trading or dealing in securities. The summary does not apply to Affinity Education Shareholders who acquired their Affinity Education Shares as part of an employee share scheme operated by Affinity Education.

All Affinity Education Shareholders are advised to seek independent professional advice about their particular circumstances and non-resident Affinity Education Shareholders should seek their own advice on the Australian and foreign taxation consequences of any sale of their Affinity Education Shares.

11.2 CGT CONSEQUENCES ON THE DISPOSAL OF AFFINITY EDUCATION SHARES

An Affinity Education Shareholder that accepts the Scrip Offer and whose Affinity Education Shares are subsequently transferred to G8 Education is taken to have disposed of their Affinity Education Shares for Australian capital gains tax (**CGT**) purposes. Shareholders make a capital gain equal to the amount by which the Scrip Offer consideration exceeds the cost base that the Affinity Education Shareholder has for the Affinity Education Shares. Subject to the availability of the CGT discount (see below) and any losses available to be offset against the capital gain, this amount is included in the Affinity Education Shareholder's taxable income.

An Affinity Education Shareholder will alternatively make a capital loss equal to the amount by which the reduced cost base of the Affinity Education Shares exceeds the Scrip Offer consideration. A capital loss may be used to offset a capital gain made in the same income year or be carried forward to offset a capital gain made in a future income year, subject to the satisfaction of certain loss recoupment tests applicable to companies and trusts.

The cost base of Affinity Education Shares would generally be equal to the amount the relevant Affinity Education Shareholder paid to acquire the Affinity Education Shares which includes certain incidental costs of the acquisition (such as brokerage).



11.3 CGT DISCOUNT

Any Affinity Education Shareholder who is an individual, the trustee of a trust or a complying superannuation entity may be entitled to claim the CGT discount in calculating any capital gain provided that:

- the Affinity Education Shares were acquired at least 12 months before disposal to G8 Education;
- the Affinity Education Shareholder did not choose to index the cost base of their Affinity Education Shares; and
- the CGT discount is applied to the capital gain after any available capital losses are first offset against that capital gain.

The CGT discount allows an Affinity Education Shareholder who is an individual or the trustee of a trust to discount the capital gain by 50 percent and include 50 percent of the capital gain in the taxable income of that individual or trust.

An Affinity Education Shareholder that is a complying superannuation entity may discount the capital gain by 33⅓ percent and include 66⅔ percent of the capital gain in the taxable income of that complying superannuation entity.

The CGT discount is not available to an Affinity Education Shareholder that is a company.

11.4 CGT ROLLOVER

Where G8 Education acquires 80% of the Affinity Education Shares on issue (including those already held by G8 Education before the date of the Scrip Offer which represents 19.89% of the Affinity Education Shares on issue) (**80% threshold**), an Affinity Education Shareholder may be eligible to choose for CGT rollover relief to apply to their disposal of Affinity Education Shares under the scrip for scrip rules so that any CGT payable on the disposal is deferred. Whether the rollover is available depends on the individual circumstances of each Affinity Education Shareholder. Also, if the Offer becomes unconditional (including as a result of G8 Education waiving one or more Defeating Conditions) and G8 Education does not meet the 80% threshold as a result of the Scrip Offer and the Cash Offer and acquires your Affinity Education Shares, the rollover relief will not be available.

If an Affinity Education Shareholder is eligible and chooses to apply the scrip for scrip rules, G8 Education Shares received by the Affinity Education Shareholder should have a cost base equal to the cost base of the original Affinity Education Shares. The cost base will be relevant in determining any future CGT liability on the subsequent disposal of the G8 Education Shares.

In certain circumstances, it may be necessary for G8 Education to make a joint election with Affinity Education Shareholders in order for CGT rollover relief to apply. To the extent a joint election is necessary for rollover relief to apply then, at the request of the Affinity Education Shareholder and provided the Affinity Education Shareholder has informed G8 Education in writing of the cost base of their Affinity Education Shares, G8 Education will make the joint election.

Also, G8 Education will not make any choice or election under the CGT rollover provisions to prevent Affinity Education Shareholders from obtaining CGT rollover relief.



11.5 STAMP DUTY AND GST

Affinity Education Shareholders who dispose of their Affinity Education Shares under the [Scrip Offer](#) are not expected to incur any Australian stamp duty or be subject to GST on that disposal.

11.6 OBTAIN YOUR OWN TAXATION ADVICE

Do not rely on the comments or the statements contained in this Bidder's Statement as advice about your own affairs. The taxation laws are complex and there could be implications in addition to those generally described in this Bidder's Statement.

Accordingly, consult your own tax advisers for advice applicable to your individual needs and circumstances. To the extent permitted by law, G8 Education does not accept any responsibility for tax implications for individual Affinity Education Shareholders.

G8 Education is not a registered tax agent under the *Tax Agent Services Act 2009* (Cth) and cannot provide tax advice to specific Affinity Education Shareholders. Affinity Education Shareholders should obtain tax advice from a registered tax agent on the consequences of accepting the [Scrip Offer](#).



12 Additional information

12.1 G8 EDUCATION IS A DISCLOSING ENTITY

As G8 Education is offering G8 Education Shares as consideration for the acquisition of Affinity Education Shares, the Corporations Act requires that this Bidder's Statement includes all information that would be required for a prospectus for an offer of G8 Education Shares under sections 710 to 713 Corporations Act. G8 Education does not need to issue a separate prospectus for the offer of the G8 Education Shares.

G8 Education is a disclosing entity (as defined in section 111AC of the Corporations Act) for the purposes of section 713 Corporations Act that is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, G8 Education is required to continuously disclose to the market any information it has which a reasonable person would expect to have a material effect on the price or the value of G8 Education Shares.

G8 Education Shares have been quoted on ASX during the 12 months before the date of this Bidder's Statement. For this reason, G8 Education is only required to disclose information in this Bidder's Statement that would usually be required where its shares have been continuously quoted securities.

In general terms, where G8 Education Shares are continuously quoted securities the Bidder's Statement is only required to contain information on the effect of the [Scrip Offer](#) on G8 Education and the rights and liabilities attaching to the G8 Education Shares. It is not necessary to include general information on all of the assets and liabilities, financial position and performance, profits and losses or prospects of the issuing company unless that information has been excluded from a continuous disclosure notice in accordance with the Listing Rules and it is information that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of those matters and the rights and liabilities attaching to the G8 Education Shares.

Information that is already in the public domain is not reported in this Bidder's Statement other than that which is considered necessary to make this Bidder's Statement complete. G8 Education, as a disclosing entity under the Corporations Act, states that:

- it is subject to regular reporting and disclosure obligations;
- copies of documents lodged with ASIC on G8 Education (not being documents referred to in section 1274(2)(a) Corporations Act) may be obtained from, or inspected at, an ASIC office; and
- it will provide a copy of each of the following documents, free of charge, to any person on request during the Offer Period:
 - the financial statements of G8 Education for the 12 months ended 31 December 2014 (being the annual financial report most recently lodged by G8 Education with ASIC);
 - the half-year financial report lodged for the six months ended 30 June 2014 lodged with ASIC by G8 Education; and
 - all continuous disclosure notices given by G8 Education after the lodgement of that annual financial report with ASIC and before the lodgement of this Bidder's Statement with ASIC.

If you would like to receive a copy of any of these documents or publications, please contact Advanced Share Registry Ltd.

Copies of all documents lodged with ASIC in relation to G8 Education can be inspected at the registered office of G8 Education during normal office hours. A list of announcements made by G8 Education on ASX between 31 December 2014 and the date of this Bidder's Statement appears in Schedule 2.



Other than information contained in this Bidder's Statement, there is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules and is information that an Affinity Education Shareholder or a professional adviser to an Affinity Education Shareholder would reasonably require for the purposes of making an informed assessment of:

- the assets and liabilities, financial position and performance, profits and losses and prospects of G8 Education; or
- the rights and liabilities attaching to the G8 Education Shares.

None of the information referred to in this section 12.1 is incorporated by reference into this Bidder's Statement or is included with this Bidder's Statement.

12.2 G8 EDUCATION CAPITAL STRUCTURE

The total number of G8 Education Shares on issue is 367,825,477 ordinary shares.

The effect of this [Scrip](#) Offer on G8 Education's capital structure is set out in section 7.

12.3 RIGHTS AND LIABILITIES ATTACHING TO G8 EDUCATION SHARES

The rights and liabilities attaching to ownership of the G8 Education Shares arise from a combination of G8 Education's constitution, statute, the Listing Rules and general law.

A summary of the significant rights and liabilities attaching to G8 Education Shares is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of G8 Education Shareholders.

Voting at a general meeting

Subject to any shares which may in the future be issued with special or preferential rights, every member present in person at a general meeting of G8 Education or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each fully paid G8 Education Share held. On a poll, partly paid shares confer a fraction of a vote in proportion to the amount paid up on the share.

Meeting of members

Each G8 Education Shareholder is entitled to receive notice of, attend and vote at meetings of G8 Education and to receive all notices, accounts and other documents required to be sent to G8 Education Shareholders under G8 Education's constitution, the Corporations Act and the Listing Rules.

Dividends

The Directors may authorise the payment to members of dividends that appear to the Directors to be justified by the profits of G8 Education. Dividends are payable on all G8 Education Shares in proportion to the amount of the total issue price paid (but not credited) for the G8 Education Shares. This is subject to any special or preferential rights attached to any class of shares created after the issue of the G8 Education Shares. If a fully paid share is on issue for part only of the period in respect of which a dividend is payable, the dividend for that share will be apportioned and paid according to the proportion that the part of that period for which the share is on issue and is fully paid is of the total period for which the dividend is payable.

Transfer of G8 Education Shares

G8 Education Shares may be transferred by a proper transfer effected under the ASX Settlement Operating Rules, or by a written instrument of transfer in any usual form or in any other form approved by the Directors.

The Directors may only decline to register a transfer of G8 Education Shares (other than a proper transfer under the ASX Settlement Operating Rules) where permitted or required to do so under the Listing Rules.

**Issue of further G8 Education Shares**

The Directors may allot, issue, grant options in respect of, or otherwise dispose of, further shares in G8 Education on terms as they see fit. However, the Directors must act in accordance with the restrictions imposed by G8 Education's constitution, the Corporations Act, the Listing Rules and any rights for the time being attached to the shares in any special class of those shares.

Winding-up

If G8 Education is wound up, then, subject to any special rights attaching to any class of shares, G8 Education Shareholders will be entitled to participate in any surplus assets of G8 Education in proportion to the amount paid up (or which ought to have been paid up) on their G8 Education Shares when the winding-up begins.

Unmarketable parcels

Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, G8 Education may sell existing unmarketable parcels of shares in accordance with the procedure in the constitution.

Share buy-back

Subject to the provisions of the Corporations Act and the Listing Rules, G8 Education may buy back G8 Education Shares.

Variation of class rights

Unless otherwise provided by G8 Education's constitution or by the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or abrogated:

- with the consent in writing of the holders of three-quarters of the issued shares included in that class; or
- with the sanction of a special resolution passed at a separate meeting of the holders of those shares.

Dividend reinvestment plan and bonus share plan

G8 Education's constitution authorises the Directors to establish and maintain dividend reinvestment plans (whereby any member may elect that dividends payable by G8 Education be reinvested by way of subscription for shares in G8 Education).

Indemnities

To the extent permitted by law, G8 Education indemnifies every officer and former officer of G8 Education against a liability incurred by the person acting in that capacity. In addition, every officer is indemnified against any legal costs incurred in defending any civil or criminal proceedings to the extent permitted by the Corporations Act.

Alteration of G8 Education's constitution

G8 Education's constitution can only be amended by special resolution passed by at least 75 percent of G8 Education Shareholders present and voting at a general meeting of G8 Education. G8 Education must give at least 28 days written notice of its intention to propose a resolution as a special resolution.

12.4 DETAILS OF G8 EDUCATION'S RELEVANT INTERESTS IN AFFINITY EDUCATION SHARES

At the date of this Bidder's Statement, the number of Affinity Education Shares in which G8 Education had a relevant interest is set out below:



CLASS OF SECURITIES	TOTAL NUMBER IN CLASS	% OF AFFINITY EDUCATION SHARES ON ISSUE
Affinity Education Shares	46,051,790	19.89%

As at the date of this Bidder's Statement G8 Education has voting power of 19.89 percent in Affinity Education. All of the Affinity Education Shares owned by G8 Education have been purchased on-market within 4 months before the start of the Offer Period for consideration of 70 cents per Affinity Education Share.

G8 Education reserves the right to purchase Affinity Education Shares outside the Scrip Offer at any time during the Offer Period including under the Cash Offer, subject to the Corporations Act. In accordance with section 671B(1) if there is a movement of at least 1% of G8 Education's Relevant Interest in Affinity Education G8 Education will release to the ASX and serve on Affinity a substantial holder notice by 9.30am on the trading day after G8 Education becomes aware of the information during the bid period.

12.5 G8 EDUCATION'S DIRECTORS' RELEVANT INTERESTS IN AFFINITY EDUCATION SHARES

At the date of this Bidder's Statement, the Directors of G8 Education have no relevant interest in Affinity Education Shares.

12.6 INDUCING BENEFITS GIVEN DURING PREVIOUS FOUR MONTHS

Except as set out in this Bidder's Statement, neither G8 Education nor any of its Associates has, during the period of four months before the date of the Scrip Offer, or in the period commencing on the date of this Bidder's Statement and ending on the date of the Scrip Offer, given, offered or agreed to give, a benefit to another person where the benefit was likely to induce the other person, or an associate, to:

- accept an Scrip Offer; or
- dispose of Affinity Education Shares,

which benefit was not offered to all Affinity Education Shareholders under the Scrip Offer.

12.7 CASH OFFER

On 3 August 2015, G8 Education made an on-market takeover bid for all the Affinity Education Shares (other than those it holds), offering a cash price of \$0.80 per Affinity Education Share. Particulars of the Cash Offer were disclosed by Canaccord Genuity (G8 Education's broker) to the ASX on the date of this Bidder's Statement.

G8 Education lodged the bidder's statement for the Cash Offer on 3 August 2015. Acceptances under the Cash Offer will open on ~~26~~18 August 2015 and close on 28 September 2015 (unless extended). The Cash Offer may only be accepted by selling your Affinity Education Shares on market. You can do this through your stockbroker or through G8 Education's broker, Canaccord Genuity. The usual rules for settlement of transactions which occur on-market on ASX will apply to G8 Education's purchase of Affinity Education Shares on-market. This means that if you accept the Cash Offer, you will be paid on a T+3 Basis (being within 3 Trading Days after the trade is executed).

G8 Education intends to acquire Affinity Education Shares on-market from the date of the announcement of the Cash Offer until the end of the Offer Period under the Cash Offer.

If you accept the Scrip Offer and G8 Education acquires Affinity Education Sshares for cash outside of the Scrip Offer during the Offer Period (e.g under the Cash Offer or otherwise) you may elect to take a cash amount equal to the highest price paid in that period in lieu of the G8 Education Shares. For example, If G8 Education acquires shares under the Cash Offer you will be entitled to elect to receive \$0.80 per

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Affinity Education Share. Notice of that right will be given to you within 14 days after the end of the Offer Period in accordance with section 651A(4) Corporations Act.

12.712.8 MISCELLANEOUS MATTERS

ASIC relief

ASIC has published various class order instruments providing for modifications and exemptions that apply generally to all persons, including G8 Education, about the operation of chapter 6 Corporations Act. G8 Education may rely on this class order relief in the preparation and distribution of this Bidder's Statement.

G8 Education is relying on section 633A(1) Corporations Act as inserted by ASIC Class Order 13/528 'Changes to a bidder's statement between lodgment and dispatch' to send to Affinity Education Shareholders this replacement Bidder's Statement.

G8 Education has relied on the modification to section 636(3) Corporations Act in paragraph 11 of ASIC Class Order 13/521 'Takeover Bids' to include references to certain statements in documents lodged with ASIC and ASX without obtaining the consent of the persons to whom those statements are attributed.

G8 Education has also relied on Section 621(4A) Corporations Act inserted by Class Order 00/2338 to permit G8 Education to value the consideration provided under the Scrip Offer over two full trading days at any time up to five Business Days before the date of the offer. For that purpose, G8 Education has used the VWAP of G8 Education Shares on on Friday 14, August 2015 ~~[-]~~ [-] ~~[-]~~ [-] and Monday, 17 August 2015 ~~[-]~~ [-] ~~[-]~~ [-] being \$3.21 ~~[-]~~ [-] per G8 Education Share.

Specific Relief

G8 Education has relied on ASIC modification to item 6 of the table in subsection 633(1) (as notionally modified by AIC Class Order [CO 13/528]) to allow G8 Education to vary the terms of the offer set out in its bidder's statement lodged with ASIC on and dated 30 July 2015 by way of a replacement bidder's statement so that the only difference in terms of the offer in the replacement bidder's statement is : (a) the offer is unconditional; (b) the consideration offered is to be determined according to the ratio of one share in G8 Education for every 4.25 shares in Affinity Education; and (c) the date of the proposed offer is 21 August 2015. Further, G8 Education has sought and received from ASIC an abridgement of the 14 day period set out in item 6 of the table in subsection 633A(1) Corporations Act (as inserted by [CO 13/528]) to allow G8 Education commence sending the replacement bidder's statement to Affinity Education shareholders and open the offer on 21 August 2015.

Subsection 623(1) Corporations Act prohibits a bidder (or an associate) from providing benefits to persons during a takeover bid that is likely to induce that person to accept an offer under the bid. On the basis that the Scrip Offer is not identical to the Cash Offer, the Cash Offer may amount to the provision of a benefit that is not provided to all persons under the Scrip Offer, and vice-versa in breach of subsection 623(2) Corporations Act. ASIC has granted G8 Education relief from subsection 623(1) Corporations Act to the extent that undertaking the Scrip Offer and the Cash Offer simultaneously involves the provision of a collateral benefit in contravention of subsection 623(1) Corporations Act.

Chapter 6A Corporations Act permits a bidder to compulsorily acquire securities in the bid class under a takeover offer if certain thresholds are met. G8 Education has sought relief from ASIC in relation to Chapter 6A to make it clear that the G8 Education can compulsorily acquire Affinity Education Shares if it meets the relevant thresholds under Chapter 6A under the Scrip Off or the Cash Offer (or both collectively).

12.812.9 FOREIGN SHAREHOLDERS AND UNMARKETABLE PARCEL SHAREHOLDERS

If you are a Foreign Shareholder, unless G8 Education otherwise determines that:

- it is lawful and not unduly onerous and not unduly impracticable to make the Scrip Offer to you and to issue you with G8 Education Shares on acceptance of the Scrip Offer; and



- it is not unlawful for you to accept the [Scrip](#) Offer by the law of the relevant place outside Australia, its external territories or New Zealand,

you will not be entitled to receive G8 Education Shares as consideration for your Affinity Education Shares.

Similarly, if you are an Unmarketable Parcel Shareholder, unless G8 Education otherwise determines, you will not be entitled to receive G8 Education Shares as consideration for your Affinity Education Shares. Instead, G8 Education will:

- arrange for the issue to the Nominee of the number of G8 Education Shares to which you and all other Foreign Shareholders and Unmarketable Parcel Shareholders would have been entitled but for clause 2.2 of the Offer Terms (Schedule 1); and
- cause the Nominee to offer for sale those G8 Education Shares within five Business Days after the end of the Offer Period in the manner, at the price and on other terms as are determined by the Nominee; and
- pay to you the amount ascertained under the formula in clause 5.3 of the Offer Terms (Schedule 1).

Notwithstanding anything else contained in this Bidder's Statement, G8 Education is not under any obligation to spend any money or undertake any action to satisfy itself of the eligibility of Foreign Shareholders to receive G8 Education Shares.

12.912.10 **CONSENTS**

This Bidder's Statement includes statements which are made in, or based on statements which are made in, documents provided by Affinity Education or announced on the company announcements platform of ASX by Affinity Education. No person who has made any of these statements has consented to the statement being included in or accompanying this Bidder's Statement in the form and context in which it is included.

- McCullough Robertson Lawyers have given and have not, before the lodgement of this Bidder's Statement with ASIC, withdrawn their written consent to being named in this Bidder's Statement as legal advisers to G8 Education in respect of the Scrip Offer in the form and context in which they are named.
- Advanced Share Registry Services has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as registry to G8 Education in respect of the Scrip Offer in the form and context in which it is named.
- HLB Mann Judd has given and has not, before the lodgement of this Bidder's Statement with ASIC, withdrawn its written consent to being named in this Bidder's Statement as auditor for G8 Education in the form and context in which it is included.
- Each of McCullough Robertson, Advanced Share Registry Services and HLB Mann Judd:
 - does not make, or purport to make, any statement in this Bidder's Statement or any statement on which a statement in this Bidder's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Bidder's Statement with the consent of that person; and
 - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Bidder's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Bidder's Statement with the consent of that party.

12.1012.11 **FEES AND BENEFITS PAYABLE TO DIRECTORS AND ADVISERS**

Other than as set out below or elsewhere in this Bidder's Statement, no:

- Director or proposed director of G8 Education;
- person named in this Bidder's Statement as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Bidder's Statement; or
- promoter of G8 Education,

has, or had within two years before the date of this Bidder's Statement, any interest in:

- the formation or promotion of G8 Education;
- any property acquired or proposed to be acquired by G8 Education in connection with its formation or promotion or in connection with the issue of G8 Education Shares under the Scrip Offer; or
- the offer of G8 Education Shares under this Bidder's Statement,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director or a proposed director of G8 Education as an inducement to become, or to qualify



as, a Director of G8 Education or to any of those persons otherwise for services rendered by them in connection with the formation or promotion of G8 Education or the offer of G8 Education Shares under this Bidder's Statement.

The Directors of G8 Education have the following relevant interests in G8 Education Shares (either held directly, held by entities controlled by them or held by entities of which they are directors or held by family members) at the date of this Bidder's Statement:

DIRECTOR	G8 EDUCATION SHARES	% OF G8 EDUCATION SHARES ON ISSUE
Jennifer Hutson	1,953,778	0.53%
Christopher Scott	1,000,000	0.27%
Brian Bailison	Nil	Nil
Susan Forrester	Nil	Nil
Matthew Reynolds	14,695	0.00004%

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for executives is reviewed annually to ensure the executive's pay is competitive with the market and comparable to other companies of similar operational complexity and market capitalisation as G8 Education. The salary levels were determined by analysing other listed public companies in the ASX 200 index to ensure that G8 Education's executive pay structure is market based. An executive's remuneration is also reviewed on promotion. There are no guaranteed base pay increases included in any executive contracts.

Christopher Scott

Christopher Scott is the Managing Director of G8 Education Limited. His current remuneration arrangements are as follows:

ISSUE	DETAILS
Position	Managing Director
Remuneration	\$585,000 per annum plus statutory superannuation.
Incentive program	The Company has provided a loan of \$5 million to Christopher Scott for the purposes of acquiring 1 million G8 Education Shares at an issue price of \$5.00 per Share.
Terms of the Loan	<p>The Loan is provided on the following key terms:</p> <ul style="list-style-type: none"> ▪ Limited recourse: the loan is secured against the G8 Education Shares, and neither Christopher Scott nor his nominee will be personally liable. In the event that the shares are sold to repay the loan, and the sale proceeds are insufficient to cover the amount of the loan which is outstanding, G8 Education cannot recover the remaining amount from Christopher Scott. Conversely, where the sale proceeds are greater than the amount of the outstanding loan, G8 Education will not receive any additional payment; ▪ Interest free: the loan is interest free unless otherwise agreed; ▪ Term: three years from the date of issue of the shares subject to

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ISSUE	DETAILS
	<p>earlier repayment;</p> <ul style="list-style-type: none"> ▪ Transfer: In the event that Christopher Scott leaves the employ of G8 Education, the Shares still subject to escrow shall be transferred to a party nominated by G8 Education.
Terms of issue of Shares	<p>The G8 Education Shares have been issued on the following terms:</p> <ul style="list-style-type: none"> ▪ All G8 Education Shares are subject to escrow and will not be able to be transferred or sold until released in accordance with following timetable: <ul style="list-style-type: none"> ○ one-third of the G8 Education Shares (being 333,333 Shares) will vest if the Earnings Per Share (EPS) on a fully diluted basis as at 31 December 2015 is more than 40% greater than the EPS as at 31 December 2014; ○ one-third of the G8 Education Shares (being 333,333 Shares) will vest if the EPS on a fully diluted basis as at 31 December 2016 is at least 15% year on year above the EPS as at 31 December 2015; ○ one-third of the G8 Education Shares (being 333,334 Shares) will vest if the EPS on a fully diluted basis as at 31 December 2017 is at least 15% year on year above the EPS as at 31 December 2016. ▪ The G8 Education Shares may not be transferred or sold until released from escrow as set out above, or the Loan is repaid. ▪ All G8 Education Shares will be released from escrow in the event of a takeover.

The remuneration arrangements for Jason Roberts and Christopher Sacre are set out below:

ISSUE	DETAILS	
Position	Jason Roberts, Chief Executive Officer	Christopher Sacre, Chief Operating Officer
Remuneration	\$450,000 per annum plus statutory superannuation.	\$350,000 per annum plus statutory superannuation.
Incentive program	The Company has provided a loan of \$5 million to the nominee of Jason Roberts, for the purposes of acquiring 1 million Shares in G8 Education Limited, at an issue price of \$5.00 per Share.	The Company has provided a loan of \$5 million to the nominee of Christopher Sacre, for the purposes of acquiring 1 million Shares in G8 Education Limited, at an issue price of \$5.00 per Share.



ISSUE	DETAILS
Terms of the Loan	<p>The loans are provided on the following key terms:</p> <ul style="list-style-type: none"> ▪ Limited recourse: the loans are secured against the Shares, and neither Jason Roberts, Christopher Sacre or their nominees will be personally liable. In the event that the Shares are sold to repay the relevant loan, and the sale proceeds are insufficient to cover the amount of the loan which is outstanding, G8 Education cannot recover the remaining amount from Jason Roberts and Christopher Sacre, or their nominees. Conversely, where the sale proceeds are greater than the amount of the outstanding loan, G8 Education will not receive any additional payment; ▪ Interest free: the loans are interest free unless otherwise agreed; ▪ Term: three years from the date of issue of the Shares subject to earlier repayment; <p>Transfer: In the event that any of Jason Roberts and Christopher Sacre leave the employ of G8 Education, the Shares still subject to escrow shall be transferred to a party nominated by the Company.</p>
Terms of issue of Shares	<p>The G8 Education Shares are issued on the following terms:</p> <ul style="list-style-type: none"> ▪ All G8 Education Shares are subject to escrow and will not be able to be transferred or sold until released in accordance with following timetable: <ul style="list-style-type: none"> ○ one-third of the G8 Education Shares (being 333,333 G8 Education Shares) will vest if the Earnings Per Share (EPS) on a fully diluted basis as at 31 December 2015 is more than 40% greater than the EPS as at 31 December 2014; ○ one-third of the G8 Education Shares (being 333,333 G8 Education Shares) will vest if the EPS on a fully diluted basis as at 31 December 2016 is at least 15% year on year above the EPS as at 31 December 2015; ○ one-third of the G8 Education Shares (being 333,333 G8 Education Shares) will vest if the EPS on a fully diluted basis as at 31 December 2017 is at least 15% year on year above the EPS as at 31 December 2016. ▪ The G8 Education Shares may not be transferred or sold until released from escrow as set out above, or the relevant loan is repaid. ▪ All G8 Education Shares will be released from escrow in the event of a takeover.

On appointment to the G8 Education board of directors, all non-executive directors enter into a services agreement with G8 Education. The agreement summarises the G8 Education board policies and terms, including remuneration, relevant to the officer of director.

Non-executive directors receive a board fee and fees for chairing or participating in the board committees. In accordance with its Charter the Remuneration Committee assess remuneration against market with the assistance of remuneration specialists. They do not receive performance-based pay.



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Fees are reviewed annually by the board taking into account comparable roles and market data. The maximum annual aggregate directors fee pool limit is \$850,000.

Insurance and indemnity arrangements are in place for officers of G8 Education. To the extent permitted by law, G8 Education indemnifies every person who is or has been an officer against:

- any liability to any person (other than G8 Education, related entities or a major shareholder) incurred while acting in that capacity and good faith; and
- costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters.

For this purpose 'officer' means any Director or secretary of G8 Education or any subsidiary of G8 Education. Under the terms of the indemnity, G8 Education must maintain indemnity insurance coverage for a period of seven years after the officer held their position in G8 Education and allow the officer access to certain records after ceasing to hold office in G8 Education for a period of seven years.

McCullough Robertson has acted as legal advisers to G8 Education in relation to the [Scrip](#) Offer. McCullough Robertson are entitled to receive professional fees on a normal basis.

HLB Mann Judd has provided advice in relation to the [Scrip](#) Offer. HLB Mann Judd is entitled to receive professional fees on a normal basis.

~~12.11~~**12.12** **EXPIRY DATE**

No G8 Education Shares will be issued on the basis of the [Scrip](#) Offer contained in this Bidder's Statement after the date that is 13 months after the date of this Bidder's Statement.

~~12.12~~**12.13** **OTHER MATERIAL INFORMATION**

Except as set out elsewhere in this Bidder's Statement, there is no other information that is:

- material to the making of a decision by an Affinity Education Shareholder whether or not to accept a [Scrip](#) Offer; and
- known to G8 Education,

and has not previously been disclosed to Affinity Education Shareholders.



13 Definitions and interpretation

13.1 DEFINITIONS

In this Bidder's Statement:

TERM	DEFINITION
ACCC	means the Australian Competition and Consumer Commission.
Acceptance Form	means the form of acceptance and transfer accompanying this Bidder's Statement.
Affinity Education	means the target company, Affinity Education Group Limited ACN 163 864 195.
Affinity Education Board	means the board of directors of Affinity Education.
Affinity Education Group	means Affinity Education and each of its Subsidiaries.
Affinity Education Rights	means the 1,327,141 performance rights in Affinity Education on issue.
Affinity Education Shareholder	means a registered holder of Affinity Education Shares.
Affinity Education Shares	means fully paid ordinary shares in the capital of Affinity Education.
Announcement Date	means 3 July 2015, being the date of announcement of the <u>Scrip Offer</u> .
ASIC	means the Australian Securities and Investments Commission.
Associates	has the meaning given to that term by section 12 of the Corporations Act as if section 12(1) of the Corporations Act included a reference to this document.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
ASX Settlement Operating Rules	means the settlement rules of ASX Settlement Pty Limited (ABN 49 008 504 532), the body which administers the CHESS system in Australia), a copy of which is available at www.asx.com.au .
Board	means the board of directors of G8 Education.
Bid	means the offer made by G8 Education to the Affinity Shareholders under Chapter 6 Corporations Act.
Bidder's Statement	means this document, being the and replacement bidder's statement dated 143 August 2015, which replaces the original bidder's statement lodged with ASIC on 31 July 2015 and the as supplemented by first bidder's statement lodged with ASIC on 3 August 2015 and second supplementary bidder's statement lodged with ASIC on 20 August 2015, issued by G8 Education under part 6.5 division 2 Corporations Act relating to the <u>Scrip Offer</u> .
Broker	means a person who is a share broker and a participant in CHESS.
Business Day	means a business day as defined in the Listing Rules.

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TERM	DEFINITION
<u>Canaccord Genuity</u>	<u>means Canaccord Genuity (Australia) Limited ACN 075 071 466.</u>
<u>Cash Offer</u>	<u>means the on-market bid made by G8 Education for all the Affinity Education Shares for consideration of \$0.80 cash per Affinity Education Share.</u>
CHESS	means the Clearing House Electronic Subregister System, which provides for electronic share transfer in Australia.
CHESS Holding	means a holding of Affinity Education Shares on the CHESS subregister of Affinity Education.
Competing Proposal	means a proposal for a takeover bid, scheme of arrangement or other corporate transaction involving Affinity Education or Affinity Education Shares that would compete with the <u>Scrip Offer</u> or mean that a Defeating Condition would not be fulfilled.
Competition and Consumer Act	means <i>Competition and Consumer Act 2010</i> (Cth).
Consideration	means 1 G8 Education Share for each 4.2561 Affinity Education Shares.
Controlling Participant	means the Broker or Non-Broker Participant who is designated as the controlling participant for shares in a CHESS Holding under the ASX Settlement Operating Rules.
Consolidated Group	has the same meaning as in the <i>Income Tax Assessment Act 1997</i> (Cth).
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
<u>Defeating Condition</u>	<u>means each of the conditions of the Offer set out in Schedule 2.</u>
Directors	means the directors of G8 Education.
<u>Encumbrance</u>	<p><u>means:</u></p> <ul style="list-style-type: none"> *—any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the <i>Personal Property Securities Act 2009</i> (Cth); *—any preferential or adverse interest of any kind; *—a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase; *—a right to set off or right to withhold payment of a deposit or other money; *—an easement, restrictive covenant, caveat or similar restriction over property; *—an agreement to create any of the items referred to in paragraphs 2 to 2 above or to allow any of those items to exist; or *—a notice under section 255 Tax Act (1936), subdivision 260-A in schedule 1 <i>Taxation Administration Act 1953</i> (Cth) or any similar legislation.

**Financial Indebtedness**

means any debt or other monetary liability (whether actual or contingent) in respect of money borrowed or raised or any financial accommodation including under or in respect of any:

- *—bill, bond, debenture, note or similar instrument;
- *—acceptance, endorsement or discounting arrangement;
- *—guarantee;
- *—finance or capital lease;
- *—agreement for the deferral of a purchase price or other payment in relation to the acquisition of any asset or service; or
- *—obligation to deliver goods or provide services paid for in advance by any financier.

Foreign Shareholder

means an Affinity Education Shareholder whose address on the Affinity Education share register is in a jurisdiction other than Australia or its external territories or New Zealand.

G8 Education

means the bidder, G8 Education Limited ACN 123 828 553.

G8 Education Share

means a fully paid ordinary share in the capital of G8 Education.

Government Agency

means:

- *—a government or government department or other body;
- *—a governmental, semi-governmental or judicial person; or
- *—a person (whether autonomous or not) who is charged with the administration of a law.

GST

has the meaning it has in the GST Act.

GST Act

means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Insolvency Event

means any of the following events occurring in relation to a party:

- *—a liquidator, receiver, receiver and manager, administrator, official manager or other controller (as defined in the Corporations Act), trustee or controlling trustee or similar official is appointed over any of the property or undertaking of the party;
- *—the party is, or becomes unable to, pay its debts when they are due or is or becomes unable to pay its debts within the meaning of the Corporations Act, or is presumed to be insolvent under the Corporations Act;
- *—the party ceases to carry on business; or
- *—an application or order is made for the liquidation of the party or a resolution is passed or any steps are taken to liquidate or pass a resolution for the liquidation of the party, otherwise than for the purpose of an amalgamation or reconstruction.

Issuer Sponsored Holding

means a holding of Affinity Education Shares on Affinity Education's issuer sponsored subregister.

Listing Rules

means the Listing Rules of ASX and any other rules of ASX which are applicable while the Company is admitted to the Official List of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Merged Group

means G8 Education and each of its Subsidiaries (including the Affinity Education Group) which will exist as a result of the takeover bid as constituted by the Offer, should the takeover proceed to its

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	conclusion.
Nominee	means an entity to be appointed by G8 Education after the date of this Bidder's Statement with the prior approval of ASIC.
Non-Broker Participant	means a non-broker participant under the ASX Settlement Operating Rules.
Offer or Offers	means the offer by G8 Education on the Offer Terms to acquire Affinity Education Shares.
Offer Price	means 1 G8 Education Share for every 4.61 <u>4.25</u> Affinity Education Shares.
Offer Period	means the period commencing on [•]18 August <u>20 August</u> 2015 and ending at <u>57.00pm</u> (Sydney time) on [•]28 September 2015, or any later date to which the <u>Scrip</u> Offer is extended.
Offer Terms	means the terms of the Offer set out in to this Bidder's Statement.
Prescribed Occurrences<u>Offer Terms</u>	<p>means:</p> <ul style="list-style-type: none"> * (conversion) Affinity Education converts all or any of its shares into a larger or smaller number of shares; * (reduction of share capital) Affinity resolves to reduce its share capital in any way; * (buy back) Affinity: <ul style="list-style-type: none"> ○ enters into a buy-back agreement; or ○ resolves to approve the terms of a buy-back agreement under the Corporations Act; * (distribution) Affinity makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie); * (issuing shares or options) a member of Affinity Group: <ul style="list-style-type: none"> ○ issues shares; ○ grants an option over its shares; or ○ agrees to make an issue of shares or grant an option over its shares, <p>in each case to a person outside Affinity Group;</p> <ul style="list-style-type: none"> * (securities or other instruments) a member of the Affinity Group: <ul style="list-style-type: none"> ○ issues securities or other instruments convertible into shares or debt securities; or ○ agrees to issue securities or other instruments convertible into shares or debt securities, <p>in each case to a person outside the Affinity Education Group;</p> <ul style="list-style-type: none"> * (constitution) a member of the Affinity Group adopts a new constitution or modifies or repeals its constitution or a provision of it; * (disposals) a member of the Affinity Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property; * (acquisitions, disposals or tenders) a member of the Affinity



Group:

- acquires or disposes of;
- agrees to acquire or dispose of; or
- offers, proposes, announces a bid or tenders for, any business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$500,000;

- * ~~(Encumbrances)~~ a member of the Affinity Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);
- * ~~(board)~~ any person is appointed to the Affinity Board, other than those nominated by G8 Education;
- * ~~(employment arrangements)~~ a member of the Affinity Education Group:
 - materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors; or
 - accelerates the rights of any of its directors to compensation or benefits of any kind,
 other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of Scrip Offer set out in to this document;
- * ~~(termination or retention payment)~~ a member of the Affinity Education Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to G8 Education);
- * ~~(commitments and settlements)~~ a member of the Affinity Education Group:
 - enters into any contract or commitment involving revenue or expenditure by the Affinity Education Group of more than \$500,000 over the term of the contract or commitment;
 - terminates or amends in a material manner any contract material to the conduct of the Affinity Education Group's business or which involves revenue or expenditure of more than \$500,000 over the term of the contract;
 - waives any material third party default where the financial impact on the Affinity Education Group will be in excess of \$500,000; or
 - accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000) less than the full compensation due to the Affinity Education or a Subsidiary of Affinity;
- * ~~(financial arrangements)~~ a member of the Affinity Education Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in respect of the transactions contemplated by this document;
- * ~~(capital expenditure)~~ a member of the Affinity Education Group



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	<p>undertakes or agrees to undertake capital expenditure in excess of \$1,000,000 in aggregate;</p> <ul style="list-style-type: none"> *—(insolvency) an Insolvency Event occurs in respect of any member of the Affinity Education Group; *—(financial indebtedness) a member of the Affinity Education Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$500,000; *—(breach of law) a member of the Affinity Education Group takes or omits to take action which results in a breach of law material to a member of the Affinity Education Group; *—(accounting policy) a member of the Affinity Education Group changes any accounting policy applied by them to report their financial position; *—(related party) a member of the Affinity Education Group enters into or resolves to enter into a transaction with any related party of the Affinity as defined in section 228 Corporations Act; or *—(tax liability) the Affinity Education or any other member of the Affinity Education Group does anything that results in a taxable gain for the Affinity Group by either causing a Subsidiary to cease being a member of the Affinity Education Group or causing the Affinity Education Group to cease being a Consolidated Group; <p>but a Prescribed Occurrence does not include:</p> <ul style="list-style-type: none"> *—an issue of Affinity Education Shares on exercise of an option that had been granted on or before the date of this document; *—any matter required to be done or brought about by Affinity Education under this document or which is contemplated by the Bid; or <p>any other matter, the undertaking of which G8 Education has approved in writing <u>Bidder's Statement</u>.</p>
Pro Forma Balance Sheet	means the pro forma combined balance sheet of the Merged Group referred to in section 7.6 of this Bidder's Statement.
Register Date	means the date set by G8 Education under section 633(2) Corporations Act.
Regulatory Approvals	<p>means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit:</p> <ul style="list-style-type: none"> ▪ the <u>Scrip</u> Offer to be lawfully made to and accepted by Affinity Shareholders; and ▪ the acquisition of the Affinity Shares by G8.
Regulatory Authority	<p>includes:</p> <ul style="list-style-type: none"> *—ASX, ASIC, the Foreign Investment Review Board and the Australian Taxation Office; *—a Government Agency; *—a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and *—any regulatory organisation established under statute.



Relevant Interest	has the meaning given to that term by section 9 Corporations Act.
Rights	means all accretions, rights or benefits of whatever kind attaching to or arising from Affinity Education Shares directly or indirectly after the date of this Bidder's Statement, including, without limitation, all dividends or other distributions and all rights to receive any dividends or other distributions, or to receive or subscribe for shares, stock units, notes, bonds, options or other securities, declared, paid or made by Affinity Education or any of its Subsidiaries.
<u>Scrip Offer or Scrip Offers</u>	<u>means the offer by G8 Education on the Offer Terms to acquire Affinity Education Shares.</u>
Subsidiaries	has the meaning given to that term by section 9 Corporations Act.
Target's Statement	means the target's statement, to be prepared by Affinity Education in response to this Bidder's Statement.
<u>T+3 Basis</u>	<u>means that settlement occurs on the third trading day after the date of the transaction in accordance with the ASX Settlement Operating Rules.</u>
Unmarketable Parcel	means that number of G8 Education Shares which is less than \$500.00 calculated based on the highest closing price of G8 Education Shares on the ASX during the period from the date of the Bidder's Statement until the earlier date end of the <u>Scrip</u> Offer Period and 5 ASX trading days before the first day on which G8 Education must provide consideration for the <u>Scrip</u> Offer.
Unmarketable Parcel Shareholder	means an Affinity Education Shareholder who would receive a total number of G8 Education Shares as consideration under the <u>Scrip</u> Offer, which constitute an Unmarketable Parcel.
VWAP	means the volume weighted average price of a security.



13.2 INTERPRETATION

In this Bidder's Statement, unless the context otherwise requires:

- headings are for convenience and do not affect the interpretation;
- words or phrases defined in the Corporations Act have the same meaning in this Target's Statement;
- a reference to a section is a reference to a section of this Bidder's Statement;
- a singular word includes the plural and vice versa;
- if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
- a reference to a person includes a corporation, trust, partnership, unincorporated body, government and local authority or agency, or other entity whether or not it comprises a separate legal entity;
- a reference to legislation or to a provision of legislation (including subordinate legislation) is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it; and
- a reference to '\$' or 'dollar' is to Australian currency.



14 Approval of Bidder's Statement

The copy of this Bidder's Statement that is to be lodged with ASIC has been approved by a unanimous resolution passed by the Directors of G8 Education on ~~20 August~~^{29 July} 2015.

Signed by Jennifer Hutson, Chairperson of G8 Education, under section 351 Corporations Act.

Jennifer Hutson
Chairperson
G8 Education Limited ACN 123 828 553

Schedule 1 Terms of the Scrip Offer

1 Scrip Offer

- 1.1 G8 Education offers, to acquire all of your Affinity Education Shares, together with all the Rights attaching to them on the terms set out in this Schedule 1. This Scrip Offer extends to any person who is able during the Scrip Offer Period to give good title to Affinity Education Shares and has not already accepted ~~an~~ Scrip Offer for those Affinity Education Shares.
- 1.2 This Scrip Offer extends to all Affinity Education Shares that:
 - (a) exist at the Register Date; and
 - (b) are issued and for which quotation is sought at any time during the Offer Period as a result of the exercise of the Affinity Education Rights.
- 1.3 By accepting this Scrip Offer, you undertake to transfer to G8 Education not only the Affinity Education Shares to which the Scrip Offer relates but also all the Rights attached to the Affinity Education Shares.
- 1.4 G8 Education Shares issued under this Scrip Offer will rank equally in all respects with G8 Education Shares on issue at the Register Date.
- 1.5 This Scrip Offer is dated ~~14~~ 31 August 2015.

2 Offer Price

- 2.1 Subject to clause 2.2 of this Schedule 1, the price under the Offer Price is 1 G8 Education Share for every 4. ~~6125~~ Affinity Education Shares you own.

Foreign Shareholders

- 2.2 If at the time this Scrip Offer is made to you, you are a Foreign Shareholder and G8 Education does not make a determination under section 12.9, you will not be entitled to receive G8 Education Shares as consideration for your Affinity Education Shares. Instead, you will receive a cash amount calculated under clause 5.3 of this Schedule 1.

Fractional entitlements

- 2.3 If you accept the Scrip Offer and are entitled to receive a fraction of a G8 Education Share, the number of G8 Education Shares you are entitled to under this Scrip Offer is rounded up to the next whole number of G8 Education Shares if that fraction is 0.5 or more, and rounded down to the nearest whole number if that fraction is less than 0.5. If you are entitled to a fraction of a cent, that fraction is rounded to the nearest cent on the same basis. If G8 Education reasonably believes that you have manipulated your holding of Affinity Education Shares to take advantage of rounding up, then any fractional entitlement is aggregated or rounded down to the next whole number of G8 Education Shares.

Unmarketable Parcel Shareholders

- 2.4 If you are an Unmarketable Parcel Shareholder you will not be entitled to receive G8 Education Shares as consideration for your Affinity Education Shares. Instead, you will receive a cash amount calculated under Clause 5.3 of this Schedule 1.

3 Offer Period

The Scrip Offer will remain open for acceptance during the period commencing on ~~14~~ 18-21 August 2015, and ending at 54.00pm (~~Brisbane~~ Sydney time) on ~~14~~ 28 September 2015, unless it is withdrawn or extended under the Corporations Act.



4 How to accept this Scrip Offer

All of your holding

- 4.1 This Scrip Offer is for all of your Affinity Education Shares.

Acceptance procedure for Affinity Education Shareholders

- 4.2 The acceptance procedure will depend on whether your Affinity Education Shares are in a CHESS Holding or an Issuer Sponsored Holding.

If you hold your Affinity Education Shares in a CHESS Holding

- 4.3 You must comply with the ASX Settlement Operating Rules.
- 4.4 If you are a sponsored CHESS holder of Affinity Education Shares, to accept the Scrip Offer you must:
- (a) instruct your Controlling Participant to initiate acceptance of the Scrip Offer on your behalf under Rule 14.14 of the ASX Settlement Operating Rules;
 - (b) complete, sign and send the accompanying Acceptance Form directly to your stockbroker or Controlling Participant; or
 - (c) complete and sign the Acceptance Form and mail or deliver it to the address below and authorise G8 Education to instruct your Controlling Participant to initiate acceptance of the Scrip Offer on your behalf;

before the end of the Offer Period.

If you hold your Affinity Education Shares in an Issuer Sponsored Holding

- 4.5 If your Affinity Education Shares are in an Issuer Sponsored Holding, then to accept this Scrip Offer you must complete, sign and return the accompanying Acceptance Form in accordance with the instructions on it and deliver it or send it by post so that it is received by G8 Education's share registry of the Scrip Offer before the end of the Offer Period.

If you are a Broker or a Non-Broker Participant

- 4.6 If you are a Broker or Non-Broker Participant, initiate acceptance under the requirements of the ASX Settlement Operating Rules before the end of the Offer Period.

Mailing and delivery addresses

- 4.7 The mailing and delivery addresses for completed Acceptance Forms are as follows.

The mailing address is:

**Advanced Share Registry Services
 Affinity Education Group Limited Takeover
 PO Box 1156, Nedlands, Western Australia, 6909
 AUSTRALIA**

- 4.8 Alternatively you may deliver the Acceptance Form and any associated documents to:
- Advanced Share Registry Services
 Affinity Education Group Limited Takeover
 110 Stirling Highway, Nedlands, Western Australia, 6009
 AUSTRALIA**
- 4.9 A reply paid envelope (not able to be used by Affinity Education Shareholders outside Australia) is enclosed for your convenience.



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Acceptance Form

- 4.10 The Acceptance Form which accompanies this Scrip Offer forms part of it. The requirements on the Acceptance Form must be observed in accepting this Scrip Offer for your Affinity Education Shares.

Power of attorney, deceased estate

- 4.11 When accepting this Scrip Offer, you must also forward for inspection:
- (a) if the Acceptance Form is signed by an attorney, the power of attorney; and
 - (b) if the Acceptance Form is signed by the executor of a will or the administrator of the estate of a deceased Affinity Education Shareholder, the relevant grant of probate or letters of administration.

When acceptance is complete

- 4.12 Acceptance of this Scrip Offer will not be complete until the completed Acceptance Form has been received at one of the addresses set out in clauses 4.7 or 4.8 above and the requirements of this clause 4 have been met, provided that:
- (a) G8 Education may in its sole discretion waive any or all of those requirements at any time; and
 - (b) where those requirements have been complied with for some but not all of your Affinity Education Shares, G8 Education may, in its sole discretion, deem your acceptance of this Scrip Offer complete in respect of those Affinity Education Shares for which the requirements have been complied with but not in respect of the remainder.
- 4.13 If your Acceptance Form is returned by post it will be taken as received before the end of the Offer Period if the envelope in which it is sent is postmarked before the end of the Offer Period.

5 Payment of consideration

When consideration is paid

- 5.1 Subject to clauses 5.3 and 5.4 of this Schedule 1, you will be issued with the G8 Education Shares you are entitled to within one month ~~of the later of:~~ after the date you accept the Scrip Offer.
- ~~(a) — the date you accept the Offer; and~~
- ~~(b) — the date the Offer becomes unconditional.~~
- 5.2 In any event, you will be issued with the G8 Education Shares within 21 days after the end of the Scrip Offer Period ~~(assuming all Defeating Conditions are satisfied or waived).~~

Payments to Foreign Shareholders and Unmarketable Parcel Shareholders

- 5.3 If you accept the Scrip Offer and you are a Foreign Shareholder or an unmarketable Parcel Shareholder and G8 Education does not make a determination under section 12.9 of this Bidder's Statement:
- (a) G8 Education will arrange for the issue to the Nominee of the number of G8 Education Shares to which you and all other Foreign Shareholders and Unmarketable Parcel Shareholder would have been entitled under the Scrip Offer but for clause 2.2 of this Schedule 1;
 - (b) G8 Education will cause the Nominee to offer for sale the G8 Education Shares as soon as practicable, or otherwise in the manner, at the price and on terms as are determined by the Nominee;
 - (c) G8 Education will cause the Nominee to pay to you the amount calculated under the following formula:

$$\frac{\text{Net Proceeds of Sale} \times \text{Your G8 Education Shares}}{\text{Total Nominee G8 Education Shares}}$$

where:



- (i) **Net Proceeds of Sale** means the amount which is received by the Nominee upon the sale of all G8 Education Shares under this clause 5.3 less brokerage and other sale expenses;
- (ii) **Your G8 Education Shares** means the number of G8 Education Shares which would, but for clause 2.2 of this Schedule 1, have been allotted to you under the Scrip Offer;
- (iii) **Total Nominee G8 Education Shares** means the total number of G8 Education Shares allotted to the Nominee under this clause 5.3;
- (d) you will receive your share of the proceeds of this sale in Australian currency;
- (e) payment will be made by cheque posted to you at your risk by ordinary mail at the address provided on your Acceptance Form; and
- (f) under no circumstances will interest be paid on your share of the proceeds of this sale, regardless of any delay in remitting these proceeds to you.

Where additional documents are required

5.4 Where the Acceptance Form requires additional documents to be given with your acceptance (such as a power of attorney), if the documents are given:

- (a) with your acceptance, G8 Education will provide the consideration in accordance with clause 5.1 of this Schedule 1;

~~(b)~~ after acceptance and before the end of the Offer Period ~~and the Offer is subject to a Defeating Condition at the time that G8 Education is given the documents, G8 Education will provide the consideration by the end of whichever period ends earlier:~~

~~(i) within one month after the contract resulting from your acceptance of the Offer becomes unconditional; and~~

~~(ii) 21 days after the end of the Offer Period;~~

~~(c)~~(b) after acceptance and before the end of the Offer Period ~~and the Offer is unconditional~~ at the time that G8 Education is given the documents, G8 Education will provide the consideration by the end of whichever period ends earlier:

(i) one month after G8 Education is given the document; and

(ii) 21 days after the end of the Offer Period; or

~~(c)~~(c) after the end of the Offer Period, G8 Education will provide the consideration within 21 days after the documents are given, but if at the time G8 Education is given the documents, ~~the contract resulting from your acceptance of the Offer is still subject to one or more of the Defeating Conditions,~~ G8 Education will provide the consideration within 21 days after that contract becomes unconditional.

5.5 If you do not give G8 Education the required additional documents within one month after the end of the Offer Period, G8 Education may, in its sole discretion, rescind the contract resulting from your acceptance of the Scrip Offer.

Where G8 Education is entitled to any Rights

5.6 If G8 Education becomes entitled to any Rights on acceptance of this Scrip Offer, you must give G8 Education all documents that G8 Education needs to give G8 Education title to those Rights. If you do not give those documents to G8 Education, or if you have received the benefit of those Rights, G8 Education will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by G8 Education) of those Rights.

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Payment to be mailed by cheque

- 5.7 Payment of the cash amount to which you are entitled will be mailed by cheque (or otherwise as agreed by G8 Education) in Australian currency. Cheques will be sent to the address on the Acceptance Form by pre-paid ordinary mail or, if you have an overseas address, by pre-paid airmail.

Clearances for offshore residents

- 5.8 If, at the time of acceptance of this Scrip Offer, you are resident in or of a place outside Australia, you will not be entitled to receive any consideration under this Scrip Offer until all requisite authorities or clearances of the Reserve Bank of Australia (whether under the *Banking (Foreign Exchange) Regulations 1959* (Cth) or otherwise), or of the Australian Taxation Office, have been obtained.

6 Conditions of the Scrip Offer

Conditions

- 6.1 This Scrip Offer and the contract that results from acceptance of this Scrip Offer are not subject to fulfilment of the Defeating Conditions.

~~Nature of any conditions~~

- 6.2 Each of the Defeating Conditions set out in each paragraph and subparagraph of Schedule 1:

- (a) constitutes and will be construed as a separate, several and distinct condition;
- (b) is a condition subsequent; and
- (c) until the expiration of the Offer Period will be for the benefit of G8 Education alone and may be relied upon only imposed by G8 Education.

~~Conditions apply to multiple events~~

- 6.3 Where an event occurs that would mean at the time the event occurs a Defeating Condition would not be satisfied, each Defeating Condition affected by that event becomes two separate conditions on identical terms except that:

- (a) one of them relates solely to that event; and
- (b) the other specifically excludes that event.

- 6.4 G8 Education may declare the Offer free under clause 6.5 from either of those conditions without declaring it free from the other and may do so at different times. This clause may apply any number of times to a Defeating Condition (including a condition arising from a previous operation of this clause).

~~Effect of breach or non fulfilment~~

- 6.5 The breach or non fulfilment of any of the Defeating Conditions does not prevent a contract arising to acquire your Affinity Education Shares resulting from your acceptance of this Offer. If at the end of the Offer Period, in respect of any Defeating Condition:

- (a) G8 Education has not declared the Offers (and they have not become) free from that Defeating Condition; or
- (b) that Defeating Condition has not been satisfied,

all contracts resulting from the acceptance of the Offers and all acceptances that have not resulted in binding contracts are void. In that case, G8 Education will return the Acceptance Form together with all documents to the address shown in the Acceptance Form.

~~G8 Education may decide Offer is free from all or any of the Defeating Conditions~~

- 6.6 G8 Education may at any time at its sole discretion but in compliance with section 650F and section 630(1) Corporations Act, declare the Offers free from all or any of the Defeating Conditions by written notice to Affinity Education not later than seven days before the end of the Offer Period.



Date for giving notice on status of Defeating Conditions

~~6.76.1 The date for giving a notice on the status of the Defeating Conditions as required by section 630(1) Corporations Act is the date seven days before the end of the Offer Period, subject to variation under section 630(2) Corporations Act if the Offer Period is extended.~~

Effect of acceptance

~~6.86.2~~ Once you have accepted this Scrip Offer, you will be unable to revoke your acceptance or otherwise dispose of your Affinity Education Shares and the contract resulting from your acceptance will be binding on you, unless:

- ~~(a)~~ by the end of the Offer Period, ~~the Defeating Conditions have not all been satisfied or waived in which case,~~ this Scrip Offer will automatically terminate; and
- (b) the circumstances set out in section 650E Corporations Act apply.

~~6.96.3~~ By signing and returning the Acceptance Form, you will be deemed to have:

- (a) irrevocably accepted this Scrip Offer (and each variation of this Scrip Offer) in respect of all your Affinity Education Shares despite any difference between that number and the number of Affinity Education Shares shown in the Acceptance Form;
- (b) irrevocably authorised G8 Education to alter the Acceptance Form on your behalf by:
 - (i) inserting correct details of your Affinity Education Shares;
 - (ii) filling in any blanks remaining on the Acceptance Form; and
 - (iii) rectifying any errors in, and omissions from, the Acceptance Form,
 as may be necessary to make the Acceptance Form a valid acceptance of this Scrip Offer and to enable registration of the transfer of your Affinity Education Shares to G8 Education;
- (c) represented and warranted to G8 Education, as a condition of the contract resulting from your acceptance of the Scrip Offer, that at the time of acceptance and at the time of transfer to G8 Education:
 - (i) you have paid to Affinity Education all amounts which are due for payment for your Affinity Education Shares;
 - (ii) all of your Affinity Education Shares are fully paid and free from all mortgages, charges, liens and other encumbrances of any nature; and
 - (iii) you have full power and capacity to sell and transfer those Affinity Education Shares;
- (d) granted to G8 Education and each of its Directors power of attorney to sign any document or do any thing on your behalf necessary to cause Affinity Education to issue a replacement share certificate for those Affinity Education Shares;
- (e) agreed to:
 - (i) do anything necessary to ratify any act taken or purported to be taken by G8 Education or any of its Directors under the power of attorney granted by clause 6.3(d) of Schedule 1; and
 - (ii) indemnify G8 Education and each of its Directors in respect of that act;



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- (f) from the time of acceptance until the Scrip Offer has become unconditional, until the earlier of the withdrawal of your acceptance under section 650E Corporations Act or the end of the Offer Period, irrevocably appointed G8 Education or any nominee of G8 Education as your attorney to exercise all your powers and rights attaching to your Affinity Education Shares including (without limitation) to requisition, convene, attend and vote at all general meetings of Affinity Education or appoint a proxy or proxies to attend and vote on your behalf at that meeting, where the passing or defeat of any resolution before the meeting might adversely affect the likelihood of the Scrip Offer being successful and to do so in a way which would prevent that effect arising;
- (g) on this Scrip Offer or any takeover contract becoming unconditional, irrevocably appointed G8 Education or any nominee of G8 Education as your attorney to exercise all your powers and rights attaching to your Affinity Education Shares including (without limitation):
 - (i) to requisition, convene, attend and vote at all general meetings of Affinity Education or appoint a proxy or proxies to attend and vote on your behalf at that meeting; and
 - (ii) sign all documents and resolutions relating to your Affinity Education Shares, and generally to exercise all powers and rights which you may have as a Affinity Education Shareholder and perform actions as may be appropriate to vest good title in your Affinity Education Shares in G8 Education;
- (h) agreed that in exercising the powers conferred by the power of attorney in clause 6.3(f) of this Schedule 1, G8 Education is entitled to act in the interests of G8 Education;
- (i) agreed not to attend or vote in person at any general meeting of Affinity Education or to exercise or purport to exercise any of the powers conferred on G8 Education or its nominee in clause 6.3(f) of this Schedule 1;
- (j) agreed to accept the G8 Education Shares, to which you have become entitled by acceptance of this Scrip Offer, subject to the constitution of G8 Education and have authorised G8 Education to place your name on the register of members for those G8 Education Shares; and
- (k) if your Affinity Education Shares are in a CHESS Holding and you sign and return the Acceptance Form, irrevocably authorised G8 Education:
 - (i) to instruct your Controlling Participant to initiate acceptance of this Scrip Offer for your Affinity Education Shares under the ASX Settlement Operating Rules; and
 - (ii) to give any other instructions in relation to your Affinity Education Shares to your Controlling Participant on your behalf under the sponsorship agreement between you and that Controlling Participant.

Withdrawal

~~6.106.4~~ G8 Education may withdraw unaccepted Scrip Offers at any time with the written consent of ASIC and subject to the conditions (if any) specified in that consent.

Variation

~~6.116.5~~ G8 Education may vary this Scrip Offer in accordance with the Corporations Act.

7 Acceptances by transferees and nominees

Who may accept the Scrip Offer

7.1 During the Offer Period:

- (a) any person who is able to give good title to a parcel of Affinity Education Shares may accept (if they have not already accepted an offer in the form of this Scrip Offer) as if an offer on terms identical with this Scrip Offer has been made to that person; and



(b) any person who holds one or more parcels of Affinity Education Shares as trustee, nominee, or otherwise on account of another person, may accept as if a separate offer had been made in relation to:

- (i) each of those parcels; and
- (ii) any parcel they hold in their own right.

Holding shares

7.2 A person is taken to hold Affinity Education Shares if the person is, or is entitled to be registered as, the holder of those Affinity Education Shares.

Holding shares on trust or as a nominee

7.3 A person is taken to hold Affinity Education Shares on trust for, as nominee for, or on account of, another person if that person:

- (a) is entitled to be registered as the holder of Affinity Education Shares; and
- (b) holds the interest in the Affinity Education Shares on trust for, as nominee for, or on account of, that other person.

Effective acceptance

7.4 An acceptance of [ana Scrip](#) Offer under clause 7.1(b) of this Schedule 1 is ineffective unless:

- (a) the person who holds on account of another person, gives that other person written notice stating that the Affinity Education Shares consist of a separate parcel; and
- (b) the acceptance specifies the number of Affinity Education Shares in that parcel.

Notice of acceptance

7.5 A notice under clause 7.4(a) of this Schedule 1 must be made in writing.

7.6 A person may, at the one time, accept for two or more parcels under clause 7.6 of this Schedule 1 as if there had been a single offer for a separate parcel consisting of those parcels.

8 Other matters

Notices and other communications

8.1 Subject to the Corporations Act, a notice or other communication given by G8 Education to you in connection with this [Scrip](#) Offer is deemed to be duly given if it is in writing and:

- (a) is delivered at your address as recorded on the register of members of Affinity Education or the address shown in the Acceptance Form; and
- (b) is sent by pre-paid ordinary mail, or in the case of an address outside Australia by pre-paid airmail, to you at either of those addresses.

Return of documents

8.2 If:

- (a) this [Scrip](#) Offer is withdrawn after your Acceptance Form has been sent to G8 Education, but before it has been received; or
- (b) for any other reason G8 Education does not acquire the Affinity Education Shares to which your Acceptance Form relates,

G8 Education will despatch at your risk your Acceptance Form together with all other documents forwarded by you.

**9 Costs and expenses**

All costs and expenses of the preparation, despatch and circulation of the Scrip Offers and all stamp duty payable for a transfer of Affinity Education Shares for which Scrip Offers are accepted, will be paid by G8 Education.

10 Rights of G8 Education Shares issued as consideration under the Scrip Offer

- 10.1 Subject to clause 1 of this Schedule 1, the G8 Education Shares offered by G8 Education as consideration under the Scrip Offer will rank equally with G8 Education Shares on issue at the Register Date.

11 Quotation of G8 Education Shares

- 11.1 G8 Education has been admitted to the official list of ASX and shares of the same class as those to be issued as consideration under the Scrip Offer have been granted official quotation by ASX.
- 11.2 An application was made on the date of this Bidder's Statement to ASX for the granting of official quotation of the G8 Education Shares to be issued under the Scrip Offer.
- 11.3 Under section 625(3) Corporations Act, the Scrip Offer is subject to a condition that application for admission to quotation of the G8 Education Shares issued under the Scrip Offer is made within seven days after the start of the bid period and permission for admission to quotation will be granted no later than seven days after the end of the Offer Period. This condition may not be waived.

Form
start:

Schedule 2—Defeating Conditions

The Offer and any contracts resulting from acceptance of the Offer are subject to fulfilment of the following conditions:

- 1 ~~(Minimum acceptance)~~ Before the end of the Offer Period, G8 Education has a Relevant Interest in more than 50% (by number) of Affinity Education Shares.
- 2 ~~(Regulatory Approvals, including ACCC)~~ Before the end of the Offer Period, the Regulatory Approvals are:
 - (a) ~~granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;~~
 - (b) ~~remain in full force and effect; and~~
 - (c) ~~do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them,~~

~~including any necessary clearances and authorisations, on conditions acceptable to G8 Education, from the Australian Consumer and Competition Commission and the Australian Competition Tribunal.~~
- 3 ~~(No regulatory action)~~ Before the end of the Offer Period:
 - (a) ~~no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;~~
 - (b) ~~no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and~~
 - (c) ~~no application is made to any Regulatory Authority (other than by G8 Education or any Associate of G8 Education),~~

~~which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the Affinity Education Shares by G8 Education, the rights of G8 Education in respect of Affinity Education and the Affinity Education Shares or the continued operations of Affinity Education or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).~~
- 4 ~~(No Prescribed Occurrences)~~ Before the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.
- 5 ~~(No Material Adverse Change)~~ Before the end of the Offer Period, there is no occurrence of a Material Adverse Change.



~~Schedule 3~~ Schedule 2

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8 Education announcements to ASX since 31 December 2014

DATE	ANNOUNCEMENT
5 January 2015	Ceasing to be a substantial shareholder of NAB
7 January 2015	Becoming a substantial shareholder of NAB
13 January 2015	Ceasing to be a substantial holder
21 January 2015	Cleansing Notice
21 January 2015	Appendix 3B
16 February 2015	Appendix 4G
16 February 2015	Preliminary Final Report and Annual Report
16 February 2015	Record Full Year Audited Result
16 February 2015	Acquisition of 12 Premium Child Care and Education Centres
16 February 2015	Institutional Investor Presentation
18 February 2015	Change of Director's Interest Notice
18 February 2015	Change of Director's Interest Notice
26 February 2015	Ceasing to be a substantial holder from NAB
2 March 2015	Becoming a substantial holder from NAB
9 March 2015	Change of Director's Interest Notice
10 March 2015	Change in substantial holding
11 March 2015	Change in substantial holding
12 March 2015	Change in substantial holding
12 March 2015	Change in substantial holding from NAB
13 March 2015	Change in substantial holding
17 March 2015	Appointment of Non-executive Director
18 March 2015	Final Director's Interest Notice
18 March 2015	Change of substantial holding
18 March 2015	Initial Director's Interest Notice
18 March 2015	Change in substantial holding from NAB
19 March 2015	Ceasing to be a substantial holder
20 March 2015	Change in substantial holding from UBS
24 March 2015	Declaration of Quarterly Dividend
25 March 2015	Declaration of Quarterly Dividend
31 March 2015	Delayed Settlement
2 April 2015	Change in substantial holding
7 April 2015	Change in substantial holding
14 April 2015	Appendix 3B
14 April 2015	Change of Director's Interest Notice



DATE	ANNOUNCEMENT
16 April 2015	Change in substantial holding
21 April 2015	Notice of AGM & Proxy Form
21 April 2015	G8 Education Ltd expands Australian Note Guarantors
21 April 2015	G8 Education Ltd expands Singapore Bond Program Guarantors
21 April 2015	National Quality Framework Changes from Jan 2016
7 May 2015	Change in substantial holding from NAB
21 May 2015	Annual General Meeting Presentation
21 May 2015	Results of Annual General Meeting
2 June 2015	Acquisition of 8 Premium Childcare and Education Centres
11 June 2015	New – Appx 3A.1 Notification of Distribution - GEM
17 June 2015	Appendix 3B
17 June 2015	Change of Director's Interest Notice
26 June 2015	Change in substantial holding from NAB
29 June 2015	Becoming a substantial holder from CGF
30 June 2015	Change in substantial holding from NAB
30 June 2015	Becoming a substantial holder
2 July 2015	Change in substantial holding from NAB
3 July 2015	Becoming a substantial holder for AFJ
3 July 2015	GEM to make a takeover offer of AFJ at a 29.6% premium
3 July 2015	AFJ: Board recommends take no action on opportunistic offer
6 July 2015	AFJ: Affinity appoints advisors to assess potential offer
6 July 2015	AFJ: Letter to Shareholders
6 July 2015	Change in substantial holding for AFJ
6 July 2015	GEM increases its holding in AFJ shares to 19.89%
6 July 2015	GEM increases its holding in AFJ shares to 19.89%
6 July 2015	GEM response to AFJ announcement of 6 July 2015
8 July 2015	Change in substantial holding from CGF
13 July 2015	Change in substantial holding
13 July 2015	Appendix 3B
22 July 2015	AFJ Acquisition Update
22 July 2015	Settlement Update
22 July 2015	Change in substantial holding from NAB
<u>30 July 2015</u>	<u>Bidder's Statement for AFJ</u>
<u>30 July 2015</u>	<u>Notice of change of interests of substantial holder for AFJ</u>
<u>03 August 2015</u>	<u>AFJ: Affinity Recommends Take No Action</u>
<u>03 August 2015</u>	<u>On-market Takeover Bid \$0.80 per Share Affinity Education</u>
<u>03 August 2015</u>	<u>Unconditional on-market T/O for AFJ at \$0.80 cash p/share</u>
<u>03 August 2015</u>	<u>Lodgement of Replacement Bidders Statement Scrip Offer - AFJ</u>
<u>03 August 2015</u>	<u>Lodgement of replacement bidders statement (mark up) for AFJ</u>



**G8 EDUCATION LIMITED'S BIDDER'S STATEMENT
SCRIP OFFER AFFINITY EDUCATION GROUP TAKEOVER**

DATE	ANNOUNCEMENT
<u>03 August 2015</u>	<u>Lodgement of Supplementary Statement Scrip Offer for AFJ</u>
<u>03 August 2015</u>	<u>Debt Issuance</u>
<u>03 August 2015</u>	<u>Bank Facility - \$50 million</u>
<u>03 August 2015</u>	<u>Notice of change of interests of substantial holder for AFJ</u>
<u>04 August 2015</u>	<u>AFJ: Letter to Shareholders</u>
<u>06 August 2015</u>	<u>Appendix 3B</u>
<u>10 August 2015</u>	<u>Investor Presentation</u>
<u>10 August 2015</u>	<u>Financial results for the half-year ended 30 June 2015</u>
<u>10 August 2015</u>	<u>Half Yearly Report and Accounts</u>
<u>10 August 2015</u>	<u>Change in substantial holding</u>
<u>14 August 2015</u>	<u>Supplementary Bidder's Statement Cash Offer</u>
<u>18 August 2015</u>	<u>Scrip Offer Timetable update</u>



~~Schedule 4~~ Schedule 3

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Affinity Education announcements to ASX since 31 December 2014

DATE	ANNOUNCEMENT
8 January 2015	Appendix 3 Y
2 February 2015	Affinity Education Acquires a further 8 centres
5 February 2015	Change in substantial holding from PPT
9 February 2015	Affinity Education partnership with Morgan Stanley
13 February 2015	Upcoming release of shares from escrow
20 February 2015	Productivity Commission report response
27 February 2015	Preliminary Final Report
27 February 2015	Annual Report to shareholders
27 February 2015	Affinity Education FY14 Results
27 February 2015	2014 Results Presentation
3 March 2015	Shares released from escrow
3 March 2015	Change in substantial holding
3 March 2015	Change in substantial holding - PPT
5 March 2015	Becoming a substantial holder from ARG
6 March 2015	S&P DJ Indices Announces March Quarterly Review
11 March 2015	Trading Halt
12 March 2015	Announcement of offer
12 March 2015	Appendix 3 B
12 March 2015	Investor Presentation
12 March 2015	Section 708 Notice
12 March 2015	Continuation of Trading Halt
16 March 2015	ASX Notice – Accelerated Renounceable Entitlement Offer
16 March 2015	Successful completion of institutional entitlement offer
17 March 2015	Retail offer booklet
17 March 2015	Notice of AGM and proxy form
20 March 2015	Despatch of documents to retail shareholders
25 March 2015	Ceasing to be a substantial holder from CTN
26 March 2015	Change in substantial holding from PPT
30 March 2015	Affinity confirms successful acquisitions completion
9 April 2015	Affinity completes retail component of entitlement offer
14 April 2015	Appendix 3B
14 April 2015	Change in substantial holding from ARG
16 April 2015	Change in substantial holding
17 April 2015	Annual General Meeting – Chairman's Address

**G8 EDUCATION LIMITED'S BIDDER'S STATEMENT
[SCRIP OFFER](#) AFFINITY EDUCATION GROUP TAKEOVER**

DATE	ANNOUNCEMENT
17 April 2015	Annual General Meeting – MD Presentation
17 April 2015	Results of Meeting
17 April 2015	Change in substantial holding from PPT
17 April 2015	Appendix 3Y Update
17 April 2015	Appendix 3 Y Update
28 April 2015	Affinity Acquisition Update
12 May 2015	Appendix 3B
12 May 2015	Change of Director's Interest Notice
12 May 2015	Change of Director's Interest Notice
28 May 2015	Upcoming release of shares from escrow
1 June 2015	Affinity Education completes acquisition of premium centres
15 June 2015	Affinity improves pricing, size and extends debt terms
15 June 2015	Shares released from escrow
15 June 2015	Change in substantial holding
2 July 2015	Earnings Guidance and Operational Update
3 July 2015	Becoming a substantial holder from GEM
3 July 2015	GEM: GEM to make a takeover offer of AFJ at a 29.6% premium
3 July 2015	Board recommends take no action on opportunistic offer
6 July 2015	Affinity appoints advisors to assess potential offer
6 July 2015	Letter to Shareholders
6 July 2015	Change in substantial holding from GEM
6 July 2015	GEM increases its holding in AFJ shares to 19.89%
6 July 2015	GEM increases its holding in AFJ shares to 19.89%
6 July 2015	GEM: Response to AFJ announcement of 6 July 2015
6 July 2015	Ceasing to be a substantial holder - PPT
7 July 2015	Market Update Presentation
13 July 2015	Change of Address
22 July 2015	GEM: AFJ Acquisition Update
<u>30 July 2015</u>	<u>GEM: Bidder's Statement</u>
<u>30 July 2015</u>	<u>Notice of change of interests of substantial holder from GEM</u>
<u>03 August 2015</u>	<u>Affinity Recommends Take No Action</u>
<u>03 August 2015</u>	<u>GEM: On-market T/O Bid \$0.80 per Share Affinity Education</u>
<u>03 August 2015</u>	<u>GEM: Unconditional on-market T/O offer at \$0.80 cash p/share</u>
<u>03 August 2015</u>	<u>GEM: Lodgement of Replacement Bidders Statement Scrip Offer</u>
<u>03 August 2015</u>	<u>GEM: Lodgement of replacement bidders statement (mark up)</u>
<u>03 August 2015</u>	<u>GEM: Lodgement of Supplementary Statement Scrip Offer</u>
<u>03 August 2015</u>	<u>GEM" Bank Facility - \$50 million</u>
<u>03 August 2015</u>	<u>Notice of change of interests of substantial holder from GEM</u>
<u>04 August 2015</u>	<u>Letter to Shareholders</u>



DATE	ANNOUNCEMENT
<u>05 August 2015</u>	<u>Change in substantial holding</u>
<u>10 August 2015</u>	<u>ASIC extension of time for dispatch of target statement</u>
<u>14 August 2015</u>	<u>GEM: Supplementary Bidder's Statement Cash Offer</u>
<u>18 August 2015</u>	<u>Affinity Education Appendix 4D</u>
<u>18 August 2015</u>	<u>Affinity Education 2015 Interim Report</u>
<u>18 August 2015</u>	<u>Affinity Education 2015 Half Year Results</u>
<u>18 August 2015</u>	<u>Affinity Education Half Year Results Presentation</u>
<u>18 August 2015</u>	<u>GEM: Scrip Offer Timetable update</u>



Corporate Directory

Company

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

Directors

Jennifer Hutson – Chairperson
Christopher Scott – Managing Director
Brian Bailison – Non-Executive Director
Susan Forrester – Non-Executive Director
Matthew Reynolds – Non-Executive Director

Legal Advisers

McCullough Robertson Lawyers
Level 11
Central Plaza Two
66 Eagle Street
BRISBANE QLD 4000
+61 7 3233 8888
www.mccullough.com.au

Share Registry

Advanced Share Registry Services
110 Stirling Highway
NEDLANDS WA 6009
+61 8 9389 8033
www.advancedshare.com.au

Auditor

HLB Mann Judd
Level 15
66 Eagle Street
BRISBANE QLD 4000
+61 7 3001 8800
www.hlb.com.au



Advanced Share Registry Services

Affinity Education Group Limited Takeover

PO Box 1156, Nedlands, Western Australia

6909 AUSTRALIA

Your holding

~~Shares held as at the Register Date~~

If your holding has changed between the Register Date and time of acceptance, then write your current holding here and initial your amendments. Your acceptance will in any event apply in respect of all of your Shares.

This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

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This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.

This is a personalised form for the sole use of the holder and holding recorded above.

Use this form to accept the Scrip Offer by G8 Education for all of your shares in Affinity Education. You should read the entire Bidder's Statement carefully before completing this form. Capitalised words used in this form have the meanings given to them in the Bidder's Statement.

If you correctly sign and return this form you will be deemed to have accepted the Scrip Offer in respect of **ALL** of your Affinity Education Shares (even if different from the number specified above) on the Offer Terms if your holding is issuer sponsored or authorise G8 Education or Advanced Share Registry Services Pty Ltd to request your Controlling Participant to initiate acceptance of the offer on your behalf if your Affinity Education Shares are in a CHESS holding. To be an effective Acceptance, your form must be received by G8 Education by the end of the Offer Period which is 7.00pm (Sydney time) on 28 September 2015 (unless extended).

To accept the Scrip Offer you must either:

- sign and return this Acceptance Form ~~by mail~~ to the ~~mailing~~ address shown overleaf; ~~or~~
- sign and return this Acceptance Form by hand delivery at the hand delivery address shown overleaf; ~~or~~
- ~~request your Controlling Participant to initiate acceptance of the Offer on your behalf.-~~

Please provide your contact name and telephone number in case we need to speak to you about this Acceptance Form.

Telephone Number where you can be contacted during the business hours

Contact name (PRINT)

()

I/We, the person(s) named above, accept the Scrip Offer in respect of all my/our Affinity Education Shares and hereby agree to transfer to G8 Education all my/our Affinity Education Shares for the consideration specified in the Scrip Offer, and on the terms and conditions of the Scrip Offer as set out in the Bidder's Statement. By submitting this form I/we declare that all details and statements made by me/us are complete and accurate. If my/our Affinity Education Shares are in a CHESS holding I/We authorise G8 Education and Advanced Share Registry Services Pty Ltd to request my/our Controlling Participant to initiate acceptance of the Offer on my our behalf.

Shareholder 1 (Individual)

Sole Director and Sole Company Secretary

Shareholder 2 (Individual)

Secretary/Director (delete one)

Shareholder 3 (Individual)

Director

The directors of G8 Education reserve the right to make amendments to this form where appropriate.

Please refer overleaf for further important instructions

Further Important Instructions

To accept the Scrip Offer, you must complete and return this Acceptance Form in accordance with the instructions in this form.

For further information please refer to the Bidder's Statement dated [203 August 2015](#) (that replaces the original bidder's statement which was lodged on 30 July 2015, [as supplement by the first and supplementary bidder's statement lodged with ASIC on 3 August 2015](#) [and the second supplementary bidder's statement lodged with ASIC on 20 August 2015](#)) which accompanies this Acceptance Form. Capitalised terms used in this form have the same meanings given to them in the Bidder's Statement.

By submitting this form, you agree to accept the Scrip Offer on the Offer Terms set out in the Bidder's Statement (or any supplementary bidder's statement).

Completion instructions

- A**
- **Please check the front page** to ensure that your name and address are correct. If incorrect, please write your correct details and initial the amendments.
 - **Shares held as at the Register Date.** If your holding has changed between the Register Date and time of acceptance please correct your holding and initial your amendments. Your acceptance will in any event apply in respect of all of your Shares.
 - **This is an important document. If you are in doubt as to how to complete this form, please consult your financial or other professional adviser immediately.**
 - **Please note** your consideration will be issued in the names as they appear on the Affinity Education Group Limited's register.
- D**
- **Please sign this Acceptance Form** in the places for signature(s) set out on the front page and in accordance with the following instructions:
 - **Joint Shareholders:** If your Affinity Education Shares are held in the names of more than one person, all those persons must sign this Acceptance Form.
 - **Corporations:** This Acceptance Form must be signed by either two directors or a director and a company secretary. Alternatively, where the company has a sole director and, pursuant to the Corporations Act, there is no company secretary, or where the sole director is also the sole company secretary, that director may sign alone. Alternatively, a duly appointed attorney may sign.
 - **Powers of attorney:** If this Acceptance Form is signed under a power of attorney, please attach a certified copy of the power of attorney to this Acceptance Form when you return it. If this Acceptance Form is signed under Power of Attorney, the attorney declares that he/she has no notice of revocation of the Power of Attorney.
 - **Deceased Estates:** All the executors and administrators must sign this Acceptance Form. When you return this Acceptance Form, please attach it to a certified copy of probate, letters of administration or certificate of grant accompanied (where required by law for the purpose of transfer) by a certificate of payment of death or succession duties and (if necessary) a statement in terms of Section 1071B(9)(b)(iii) of the Corporations Act.

Information you supply on this Acceptance Form will be used by G8 Education for the primary purpose of processing your acceptance of the Scrip Offer and to provide you with the consideration payable under the Scrip Offer. This information may be disclosed to G8 Education's professional advisers, securities brokers, printing and mailing providers and other third parties in connection with the Scrip Offer. If you fail to supply this information, your acceptance may not be processed and you may not receive the consideration payable. You have rights to obtain access to the personal information which you have supplied.

Lodgment instructions

- Mail or deliver completed Acceptance Form(s) and any other documents required by the above instructions to:

Mailing address	or	Hand delivery
Advanced Share Registry Services		Advanced Share Registry Services
Affinity Education Group Limited Takeover		Affinity Education Group Limited Takeover
PO Box 1156, Nedlands, Western Australia 6909		110 Stirling Highway, Nedlands, Western Australia 6009
AUSTRALIA		AUSTRALIA
- A reply paid envelope is enclosed for use within Australia.

Your acceptance must be received by no later than the end of the Offer Period, which is 7.00pm (Sydney time) on the last day of the Offer Period, being 28 September 2015 (unless extended).

If you have any questions about the terms of the Scrip Offer or how to accept, please call (08) 9389 8033 between 8.30 am and 5.00 pm.