

*This is the third supplementary target's statement under section 644 of the Corporations Act 2001 (Cth) issued by Affinity Education Group Limited (**Affinity**) in connection with the off-market and market takeover offers by G8 Education Limited ACN 123 828 553, and was approved by a resolution passed by the directors of Affinity.*

This statement supplements, and should be read together with, Affinity's target's statement dated 24 August 2015, Affinity's supplementary target's statement dated 27 August 2015 and Affinity's second supplementary target's statement dated 17 September 2015. A copy of this third supplementary target's statement was lodged with ASIC on 21 September 2015. Neither ASIC nor any of its officers take any responsibility for the content of this supplementary target's statement.

Signed for and on behalf of Affinity Education Group Limited by



Paul Cochrane
Company Secretary

Date: 21 September 2015



AFFINITY EDUCATION

G R O U P

ABN 37 163 864 195

THIRD SUPPLEMENTARY TARGET'S STATEMENT

21 September 2015

Dear Shareholder,

Affinity Education Group Limited and Anchorage Childcare Pty Limited have entered into an agreement to implement a scheme of arrangement for \$0.92 cash for each Affinity share you hold (the "Anchorage Scheme"). Anchorage has confirmed that it has obtained its financing commitments and the Anchorage Scheme will now proceed.

Your Directors¹ unanimously recommend that you REJECT both of the G8 Offers. G8's Cash Offer is \$0.80 for each Affinity share. G8's Share Offer is currently \$0.751² for each Affinity share. G8 has declared that each of the G8 Offers is final and will not be increased nor extended.

Your Directors also UNANIMOUSLY RECOMMEND the Anchorage Scheme and intend to VOTE IN FAVOUR of the Anchorage Scheme, in the absence of a superior proposal.

1. Background to the Anchorage Scheme

In response to the G8 Offers, your Directors sought out other interested parties with the aim of achieving a superior outcome for Affinity shareholders.

Affinity has now announced a revised proposal with Anchorage which involves a scheme of arrangement under which Anchorage will acquire all of the issued ordinary shares in Affinity and Affinity shareholders will receive \$0.92 cash for each share (**Scheme Consideration**).

The Anchorage Scheme replaces the original Anchorage proposal of \$0.90 cash for each Affinity share that was announced on 24 August 2015.

2. What is the Anchorage Scheme?

The Anchorage Scheme is an arrangement between Affinity and its shareholders. Under the Anchorage Scheme, all of the shares in Affinity will be acquired by Anchorage for \$0.92 for each share.

¹ The Affinity Board has established an independent board subcommittee to consider the G8 Offers and the proposal from Anchorage. The husband of one of the Affinity Directors, Ms Gabriel Giufre, is working with Anchorage in relation to the Anchorage Proposal. Accordingly, Affinity has adopted protocols (in accordance with the Takeovers Panel's Guidance Note 19: Insider Participation in Control Transactions) to ensure that Affinity's consideration of the Anchorage proposal is free from any influence from Ms Giufre and that any disclosure of sensitive information is subject to appropriate oversight and control. A reference to your "Directors" or "Board" in this letter is a reference to the independent board subcommittee

² Implied value, based on G8's closing share price of \$3.19 on 18 September 2015.

Affinity's obligations to proceed with the Anchorage Scheme were conditional upon Anchorage announcing to ASX by no later than 10:00 am (Sydney time) on 21 September 2015 that it had binding commitments in place to fund its obligations to pay the Scheme Consideration. Anchorage has confirmed today that it has obtained its financing commitments and will now proceed with the Anchorage Scheme. A copy of Anchorage's announcement can be found in **Annexure A**

The Anchorage Scheme will require:

- approval by at least 50% of Affinity shareholders present and voting (either in person or by proxy) at a shareholders meeting, holding at least 75% of the votes cast on the resolution; and
- approval by a court following the shareholders meeting.

The shareholders meeting to implement the scheme is expected to be held in November 2015. If all the shareholder and court approvals are obtained, the Anchorage Scheme is expected to be implemented in December 2015 and you will be paid \$0.92 for each Affinity share you hold.

An indicative timetable for the Anchorage Scheme is set out at the end of this letter.

3. Your Directors unanimously recommend the Anchorage Scheme

Your Directors **UNANIMOUSLY RECOMMEND** the Anchorage Scheme and intend to **VOTE IN FAVOUR** of the Anchorage Scheme, in the absence of a superior proposal.

The Anchorage Scheme provides a superior outcome for Affinity shareholders compared to the G8 Cash Offer and the G8 Share Offer, being a:

- 15.0% premium to the G8 Cash Offer; and
- 22.5% premium to the implied value of the G8 Share Offer.³

The Scheme Consideration falls within the range of \$0.92 to \$1.00 previously assessed by the Independent Expert, Lonergan Edwards & Associates, as being fair value for each Affinity share.

4. G8 intends to vote in favour of the Anchorage Scheme and not extend the G8 Takeover Offers

G8 has announced that it intends to vote all of the Affinity shares it holds, at the time of the scheme meeting, in favour of the Anchorage Scheme, provided that:

- the scheme meeting is held before 14 January 2016;
- the Affinity Board recommends, and does not withdraw its recommendation, that Affinity shareholders vote in favour of the Anchorage Scheme in the absence of a superior proposal; and
- no superior proposal is announced, which is recommended by the Affinity Board.

G8 and Affinity have also entered into a voting deed, under which G8 has agreed:

- not to extend the G8 Takeover Offers so that the G8 Takeover Offers will close on 28 September 2015; and
- to appoint irrevocably, for no consideration, the chair of Affinity as G8's proxy to vote 33,560,488 Affinity Education shares held by G8, which represent approximately 14.5% of Affinity's issued ordinary share capital, in favour of the Anchorage Scheme. The proxy may be withdrawn if any of the conditions described above in relation to G8's voting intention announcement are not met.

5. Who is Anchorage and how will they fund the purchase price?

Anchorage is a leading Australian private equity firm with over A\$450 million in funds under management, which has made significant investments in Asia-Pacific. Anchorage's investments include Dick Smith, Burger King NZ and Golden Circle.

³ Based on an implied value of \$0.751 for each Affinity share, based on G8's closing share price of \$3.19 on 18 September 2015.

Anchorage proposes to fund the scheme consideration through a combination of external debt, equity from Anchorage Capital Partners Fund II and binding equity support from institutional co-investors with whom Anchorage has long term established relationships.

6. What should you do now?

You should **REJECT** the G8 Offers. To reject the G8 Offers, **DO NOT RESPOND** and **DO NOTHING** in relation to any documents sent to you by G8.

Affinity shareholders do not need to take any further action in relation to the Anchorage Scheme at this time.

An explanatory statement containing information relating to the Anchorage Scheme, reasons for your Directors' recommendation, an independent expert's report and details of the shareholders meeting is expected to be sent to Affinity shareholders in October 2015.

Affinity shareholders will then be given the opportunity to vote on the Anchorage Scheme at a meeting expected to be held in November 2015. Subject to shareholder approval, the Anchorage Scheme is expected to be implemented in December 2015.

7. Indicative timetable

Set out below is an indicative timetable for the Anchorage Scheme:

Indicative timetable	
Event	Date
First court hearing to convene shareholders meeting	Wednesday, 14 October 2015
Dispatch Explanatory Booklet to Affinity shareholders	Wednesday, 21 October 2015
Shareholders Meeting to approve Anchorage Scheme	Friday, 20 November 2015
Second court hearing to approve Anchorage Scheme	Monday, 30 November 2015
Effective Date of Anchorage Scheme – lodge office copy of Court order approving the Anchorage Scheme with ASIC	Tuesday, 1 December 2015
Record Date for participating in Anchorage Scheme	7:00 pm on Tuesday, 8 December 2015
Implementation Date – pay Scheme Consideration to Affinity shareholders	Tuesday, 15 December 2015

Note: This is an indicative timetable only and is subject to change, including following any regulatory consultation, as may be required by the court and court availability.

Shareholder Information Line

Affinity shareholders who have questions about the G8 Offers or the Anchorage Scheme can call the Affinity Shareholder Information Line on 1300 911 275.

Yours faithfully,



Stuart James
Chairman

Annexure A – Anchorage announcement

21 September 2015

ANCHORAGE CONFIRMS SATISFACTION OF FINANCING CONDITION IN RELATION TO ITS UNANIMOUSLY RECOMMENDED ACQUISITION OF AFFINITY EDUCATION GROUP LIMITED FOR \$0.92 CASH PER SHARE BY SCHEME OF ARRANGEMENT

- **Anchorage Childcare Pty Limited confirms the financing condition under the proposed scheme of arrangement with Affinity (Anchorage Scheme) has been satisfied**
- **Accordingly, Affinity and Anchorage are now obliged to proceed with the Anchorage Scheme**
- **Affinity shareholders will receive \$0.92 per share if the Anchorage Scheme is implemented**
- **Affinity's Independent Board Committee has agreed to unanimously recommend the Anchorage Scheme and to vote in favour of it, in the absence of a superior proposal**
- **G8 has announced that it intends to vote in favour of the Anchorage Scheme**

On 15 September 2015, Anchorage Childcare Pty Limited (**Anchorage**) and Affinity Education Group Limited (**Affinity**) entered into a scheme implementation deed (**SID**) under which Anchorage will acquire all of the issued shares in Affinity for \$0.92 cash per share (**Scheme Consideration**) by way of scheme of arrangement (**Anchorage Scheme**).

The parties' obligations to implement the Anchorage Scheme were conditional on Anchorage announcing to ASX by no later than 10:00 am (Sydney time) on 21 September 2015 that it has sufficiently detailed binding commitments in place to fund its obligations to pay the Scheme Consideration, which are conditional only upon procedural items such as delivery of a draw request, mechanical conditions that can only be satisfied on implementation of the Scheme such as repayment of Affinity's existing banking facility and conditions relating to progressing the Anchorage Scheme such as requisite Affinity shareholder approval, Court approval and lodging of the court order with ASIC (**Funding Commitments**).

Anchorage now confirms that it has these Funding Commitments in place.

This confirmation satisfies the financing condition set out in clause 3 of the SID (**Financing Condition**). Accordingly, Affinity and Anchorage are now obliged to implement the Anchorage Scheme in accordance with the SID.

Affinity's Independent Board Committee has agreed to unanimously recommend, and vote in favour of, the Anchorage Scheme, in the absence of a superior proposal.

The Scheme Consideration of \$0.92 cash per Affinity share under the Anchorage Scheme is within the fair value range assessed by the Independent Expert, Lonergan Edwards & Associates, in connection with the recent takeover bids launched by G8 Education Limited (**G8**).

The Scheme Consideration of \$0.92 cash per Affinity share also represents an attractive premium of:

- 70.4% over the last closing price, of \$0.54 on 2 July 2015 (the last day of trading prior to the announcement of the G8 takeover offers);
- 52.5% over the five day volume-weighted average price to 2 July 2015;
- 28.8% over the one month volume weighted average price to 2 July 2015;

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- 15.0% premium to the G8 on-market cash takeover; and
- 22.6% premium to the implied value of the G8 off-market scrip takeover offer (based on the closing as at 18 September 2015).

Anchorage understands that the confirmation provided by it today satisfies the financing condition set out in clause 3 of the voting deed dated 15 September 2015 between Affinity and G8. Anchorage notes G8's announcement on 15 September 2015 (**G8 Announcement**) that G8:

- will not extend its takeover offers so that they will close on 28 September 2015; and
- will irrevocably appoint the Chair of Affinity as G8's proxy to vote 33,560,488 Affinity shares held by G8 Education (**Relevant Affinity Shares**), representing approximately 14.5% of Affinity's issued ordinary share capital, in favour of the Anchorage Scheme (**Proxy Appointment**),

now that the financing condition in the voting deed has been satisfied.

G8 has also announced that it intends to vote all of the other Affinity shares it holds at the time of the Anchorage Scheme meeting (in addition to the Relevant Affinity Shares) in favour of the Scheme (**Voting Intention**).

The Proxy Appointment and Voting Intention are both subject to no "Prescribed Events" (as defined in the G8 Announcement) occurring before the Anchorage Scheme meeting.¹

Anchorage is a newly incorporated company that has been established by funds managed by Anchorage Capital Partners Pty Limited (**Anchorage Capital Partners**). Anchorage Capital Partners is a leading Australian private equity firm with over A\$450 million in funds under management, which has made significant investments in Asia-Pacific. Anchorage Capital Partners' investments include Dick Smith, Burger King NZ and Golden Circle.

Detailed information about the Anchorage Scheme and Anchorage, including Anchorage's funding arrangements, will be set out in a scheme booklet that the parties expect to send to Affinity shareholders in late October 2015.

Anchorage is being advised by Credit Suisse (Australia) Limited and Minter Ellison.

¹ The following are the "Prescribed Events" set out in G8's Announcement:

- the meeting of Affinity shareholders to consider and vote on the Anchorage Scheme is not held before 14 January 2016;
- the Affinity board fails to recommend, or withdraws its recommendation, that Affinity shareholders vote in favour of the Anchorage Scheme in the absence of a superior proposal; or
- a superior proposal is announced by a party other than Anchorage and is recommended by the Affinity board.