Affinity Education Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Affinity Education Group Limited
ABN:	37 163 864 195
Reporting period:	For the period ended 31 December 2013

2. Results for announcement to the market

	$'000
Revenues from ordinary activities	3,677
Loss from ordinary activities after tax attributable to the owners of Affinity Education Group Limited	(8,856)
Loss for the period attributable to the owners of Affinity Education Group Limited	(8,856)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the company after providing for income tax amounted to $8,856,000.

The results of the company represent the performance from incorporation date, 21 May 2013, to 31 December 2013. The loss includes acquisition expenses of $7.5 million which primarily comprise agent commissions (calculated as a percentage of purchase price) and stamp duty and adviser expenses incurred with the Initial Public Offer ('IPO'). On 5 December 2013, the company raised $76.9 million and was admitted to the Australian Securities Exchange ('ASX'). During December 2013 the company completed the acquisition of 57 child care businesses and a management rights business.

The principal source of revenue is child care fees arising from the provision of child care services through centres owned by the company, derived from both government subsidies and parental payments. The company also receives monthly fees from the management of centres owned by third parties.

Results on a guidance basis (as set out in prospectus) versus actual results
The company generated a loss for the period, reflecting the short ownership period of the income generating businesses compared to start-up and acquisition expenses. The loss for the period is 1.4% less than forecast in the replacement prospectus dated 12 November 2013.

The primary driver of this better than expected performance is the timing of acquisitions which was earlier than contemplated in the replacement prospectus. These benefits were partially offset by increased acquisition costs arising from additional advisor fees driven by the accelerated acquisition timetable.

Strategy and future performance
The company's aim is to achieve efficiencies and economies of scale through the integration of both individual and multiple centres. The company's strategy is to grow its business and drive future performance through:
- organic growth, including improvements in revenue levels and efficiencies gained from corporatising a large portfolio of centres; and
- a considered and disciplined acquisition strategy.

Summary statement of cash flows
Prior to listing, the company was funded via $1.4 million of seed capital loans which were repaid in full from the $76.9 million raised from the IPO. The majority of the remainder of the $76.9 million was used to acquire 57 child care centres and pay fees associated with the IPO.

Summary statement of financial position
As at 31 December 2013, the company has a net asset position of $65.6 million driven primarily by intangible assets of $61.9 million which comprise mainly goodwill arising on the acquisitions of the child care centres.

Working capital
As at 31 December 2013 the company had a deficiency of net current assets of $2.2 million. Due to the $7.0 million undrawn overdraft facility and the forecast operating cash flows of the company the directors believe the company is a going concern.

Debt position
Prior to listing, the company entered into an agreement that provided banking facilities of $35.0 million for working capital ($15.0 million) and acquisition ($20.0 million) purposes. As at 31 December 2013, $4.0 million of these facilities were allocated, $3.9 million in relation to bank guarantees issued to child care centre landlords and $0.1 million in relation to company credits cards and vehicle finance leases.

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3. Net tangible assets

	Reporting period Cents
Net tangible assets per ordinary security	3.71

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4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

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6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Report of Affinity Education Group Limited for the period ended 31 December 2013 is attached.

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12. Signed

Signed ________________________ Date: 27 February 2014

John Bairstow
Chief Financial Officer
Southport

AFFINITY EDUCATION
GROUP

AFFINITY EDUCATION GROUP LIMITED
(FORMERLY ETERNAL ECHOES EDUCATION LIMITED)
ABN 37 163 864 195

ANNUAL REPORT 2013

Affinity Education Group Limited
Corporate directory
31 December 2013

Directors	Stuart Bruce James - Chairman Justin Michael Laboo Stephanie Jane Daveson Jeffrey Ian Forbes Gabriel Anna Giufre
Company secretary	John Bairstow
Notice of annual general meeting	The details of the annual general meeting of Affinity Education Group Limited are: Date: Wednesday 14 May 2014 Time: 11.00am Place: Brisbane
Registered office	170 Scarborough Street Southport QLD 4215 Tel: +61 7 5528 0633
Principal place of business	170 Scarborough Street Southport QLD 4215 Tel: +61 7 5528 0633 Postal address: PO Box 624, Biggera Waters QLD 4216
Share register	Link Market Services Limited Level 15 324 Queen Street Brisbane QLD 4000 Tel: 1300 554 474 Fax: +61 2 9287 0303
Auditor	PricewaterhouseCoopers Level 15, Riverside Centre 123 Eagle Street Brisbane QLD 4000
Stock exchange listing	Affinity Education Group Limited shares are listed on the Australian Securities Exchange (ASX code: AFJ)
Website	www.affinityeducation.com.au

The directors present their report, together with the financial statements, on the company for the period ended 31 December 2013.

Directors
The following persons were directors of the company during the whole of the financial period and up to the date of this report, unless otherwise stated:

Stuart Bruce James - Chairman (appointed on 6 November 2013)
Justin Michael Laboo (appointed on 6 November 2013)
Stephanie Jane Daveson (appointed on 6 November 2013)
Jeffrey Ian Forbes (appointed on 6 November 2013)
Gabriel Anna Giufre (appointed on 21 May 2013)
Gregory James Kern (appointed on 21 May 2013 and resigned on 6 November 2013)
Russell Daly (appointed on 21 May 2013 and resigned on 11 September 2013)
Fiona Alston (appointed on 11 September 2013 and resigned on 6 November 2013)

Principal activities
The principal activity of the company is that of a provider of education and care for children up to 12 years, through its owned and managed child care centres in Australia.

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Review of operations
The loss for the company after providing for income tax amounted to $8,856,000.

The results of the company represent the performance from incorporation date, 21 May 2013, to 31 December 2013. The loss includes acquisition expenses of $7.5 million which primarily comprise agent commissions (calculated as a percentage of purchase price) and stamp duty and adviser expenses incurred with the Initial Public Offer ('IPO'). On 5 December 2013, the company raised $76.9 million and was admitted to the Australian Securities Exchange ('ASX'). During December 2013 the company completed the acquisition of 57 child care businesses and a management rights business.

The principal source of revenue is child care fees arising from the provision of child care services through centres owned by the company, derived from both government subsidies and parental payments. The company also receives monthly fees from the management of centres owned by third parties.

Results on a guidance basis (as set out in prospectus) versus actual results
The company generated a loss for the period, reflecting the short ownership period of the income generating businesses compared to start-up and acquisition expenses. The loss for the period is 1.4% less than forecast in the replacement prospectus dated 12 November 2013.

The primary driver of this better than expected performance is the timing of acquisitions which was earlier than contemplated in the replacement prospectus. These benefits were partially offset by increased acquisition costs arising from additional advisor fees driven by the accelerated acquisition timetable.

Strategy and future performance
The company's aim is to achieve efficiencies and economies of scale through the integration of both individual and multiple centres. The company's strategy is to grow its business and drive future performance through:
- organic growth, including improvements in revenue levels and efficiencies gained from corporatising a large portfolio of centres; and
- a considered and disciplined acquisition strategy.

Summary statement of cash flows
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Summary statement of financial position
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Working capital
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Debt position
Prior to listing, the company entered into an agreement that provided banking facilities of $35.0 million for working capital ($15.0 million) and acquisition ($20.0 million) purposes. As at 31 December 2013, $4.0 million of these facilities were allocated, $3.9 million in relation to bank guarantees issued to child care centre landlords and $0.1 million in relation to company credits cards and vehicle finance leases.

Material business risks
The material business risks faced by Affinity Education that are likely to have an effect on the financial prospects of the company include:

Changes in law and government policy
The child care industry in Australia is heavily regulated by each level of government. The Education and Care Service National Law Act (Cwth) and supporting regulations provide a detailed and prescriptive framework for the management and operation of child care businesses in Australia.

Any change or addition to the regulation imposed by any level of government could affect the operation of the centres and could impact on the profitability of Affinity Education. Any regulatory change could include but not be limited to sources of additional funding provided by the government and changes that may increase current forecast operating costs. Affinity Education actively seeks to participate in all forums which may influence changes in law and government policy.

Changes to subsidies
Government subsidies through the Child Care Benefit and Child Care Rebate scheme represent a significant portion of Affinity Education’s revenue. These subsidies are subject to review at any time and any reduction may have a significantly adverse impact on the operations of Affinity Education. Affinity Education actively seeks to participate in all forums which may influence changes to subsidies.

Regulatory risk assessment and rating
The regulation and availability of the Child Care Benefit scheme is dependent upon individual child care centres being registered with the National Quality Framework. The assessment and rating process and receipt of government subsidies involves regular review by representatives of the Australian Children’s Education and Care Quality Authority, including inspections of child care centres. Negative evaluations could result in the loss of this registration, licence and the withdrawal of government subsidies. This would have a negative impact on Affinity Education operations and financial position. Affinity Education has in place processes and procedures to ensure it complies with all regulatory requirement, including regular staff training and centre reviews.

Integration risk
There is a risk that fully integrating the businesses acquired during December 2013 may take longer or cost more than expected which could impact on the profitability of the company. There is also a risk that the businesses acquired will not operate as profitably after integration as they did prior to their acquisition.

Significant changes in the state of affairs
The company was incorporated on 21 May 2013 as Eternal Echoes Education Limited. It changed its name to Affinity Education Group Limited on 19 September 2013 and subsequently listed and commenced trading on the ASX on 5 December 2013. The company raised $76.9 million on the issuance of 77 million ordinary shares. The funds raised were used to:
- fund the acquisition of 57 childcare centres located in Queensland, New South Wales, Victoria and the Northern Territory;
- secure the management rights for a further 11 centres; and
- pay the costs associated with the listing.

There were no other significant changes in the state of affairs of the company during the financial period.

Matters subsequent to the end of the financial period
No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Likely developments and expected results of operations

The company's business model is to identify, acquire, integrate and manage childcare centres and extract operational improvement through managing a portfolio of childcare centres.

The company's business strategy is to be in a position to take advantage of the significant growth opportunities presented through further consolidation of the highly fragmented childcare industry. Consolidation is being driven, in part, by the increasing regulatory onus placed on market participants. By providing a platform that can address this compliance requirement, manage costs through wage and rostering controls and provide career path training and progression, the directors believe that real value will be delivered to customers, staff and shareholders.

The company's strategy is to grow its business and earnings through:

- organic growth including improvements in revenue levels and efficiencies gained from corporatising a large portfolios of centres; and
- a considered and disciplined acquisition strategy.

The company aims to achieve efficiencies and economies of scale in its business through the integration of both individual and multiple centres.

The company has completed initial integration of the recently acquired child care centres. A detailed ongoing integration plan has been established focussed on extracting the greatest value from the business.

Environmental regulation

The company is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	Stuart Bruce James (appointed on 6 November 2013)
Title:	Chairman, Independent Non-Executive Director
Qualifications:	BA (Hons)
Experience and expertise:	Stuart is an experienced executive within the financial and healthcare sectors. Stuart's past roles have included Managing Director of Australian Financial Services for Colonial Group Ltd and Managing Director of Colonial State Bank (formerly the State Bank of New South Wales). Stuart also held an executive role as Chief Executive Officer of the Mayne Group Ltd from January 2002 to November 2005. Prior to that Stuart was Mayne's Chief Operating Officer from July 2000 to January 2002.
Other current directorships:	Chair of Prime Financial Group Limited (ASX: PFG), Pulse Health Limited (ASX: PHG) and Greencross Limited (ASX: GXL)
Former directorships (in the last 3 years):	Former Chair of Progen Pharmaceuticals Limited (ASX: PGL), Former Non-Executive Director of Phosphagenics Limited (ASX: PHO) and a member of the Supervisory Board of Wolters Kluwer Nv.
Special responsibilities:	Member of the Audit and Risk Committee and member of the Remuneration and Nominations Committee
Interests in shares:	2,556,300 ordinary shares

Name:	Justin Michael Laboo (appointed on 6 November 2013)
Title:	Chief Executive Officer ('CEO') and Managing Director
Qualifications:	BSc, LLB, MBA
Experience and expertise:	Justin was 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 held Chairman and Director responsibilities on numerous boards within Australia and overseas.
Other current directorships:	None
Former directorships (in the last 3 years):	Managing Director, Forest Place Group Limited (ASX: FPG) now Aveo Healthcare Limited (ASX: AEH)
Special responsibilities:	None
Interests in shares:	250,000 ordinary shares

Name:	Stephanie Jane Daveson (appointed on 6 November 2013)
Title:	Independent Non-Executive Director
Qualifications:	BA, LLB (Hons)
Experience and expertise:	Stephanie 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 2013 Brisbane Corporate/Governance Lawyer of the Year and Best Lawyer Mergers and Acquisitions in the Best Lawyers Peer Review. Stephanie is currently a member of the Takeovers' Panel and a Regional Councillor of FINSIA.
Other current directorships:	Chair of Evolve Salons Ltd (non-listed entity)
Former directorships (in the last 3 years):	None
Special responsibilities:	Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee
Interests in shares:	30,000 ordinary shares

Name:	Jeffrey Ian Forbes (appointed on 6 November 2013)
Title:	Independent Non-Executive Director
Qualifications:	BComm, GAICD
Experience and expertise:	Jeffrey ('Jeff') has 34 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.
Other current directorships:	Chair of Talon Petroleum Limited (ASX: TPD), Non-Executive Director of Horizon Housing Company Limited (non-listed entity) and Horizon Solutions Limited (non-listed entity)
Former directorships (in the last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee and member of the Remuneration and Nomination Committee
Interests in shares:	20,000 ordinary shares

Name:	Gabriel Anna Giufre (appointed on 21 May 2013)
Title:	Chief Operating Officer ('COO') and Executive Director
Experience and expertise:	Gabriel, as Managing Director of Eternal Echoes, has 14 years' experience in the child care sector. Gabriel has been responsible for the operation of Eternal Echoes since 2005. Gabriel has extensive knowledge of all operational and performance requirements in delivering child care services.
Other current directorships:	None
Former directorships (in the last 3 years):	None
Special responsibilities:	None
Interests in shares:	3,248,755 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (in the last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary
On 6 November John Bairstow was appointed company secretary and remains in this position at the date of this Report. John was previously a director in the Transaction Value Advisory Group of PricewaterhouseCoopers advising companies on buy-and-sell side financial due diligence and capital market transactions. John is a chartered accountant with over 13 years' experience in commerce and private practice with Stanwell Corporation, GdF Suez, Deloitte and Arthur Andersen. Russell Daly held the position of company secretary from the date of incorporation, 21 May 2013, to 11 September 2013. From 11 September 2013 to 6 November 2013, the position was held by Fiona Alston.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the period ended 31 December 2013, and the number of meetings attended by each director were:

	Full board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Stuart Bruce James	3	4	-	-	-	-
Justin Michael Laboo	4	4	-	-	-	-
Stephanie Jane Daveson	4	4	-	-	-	-
Jeffrey Ian Forbes	4	4	-	-	-	-
Gabriel Anna Giufre	6	6	-	-	-	-
Gregory James Kern	3	3	-	-	-	-
Russell Daly	1	1	-	-	-	-
Fiona Alston	2	2	-	-	-	-

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)
The remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the company, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The company adopted a remuneration policy prior to its Listing on the ASX on 5 December 2013.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration;
- Details of remuneration;
- Service agreements; and
- Share-based compensation.

Principles used to determine the nature and amount of remuneration
The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and conforms to the market best practice for delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

In accordance with best practice corporate governance, the structure of non-executive directors and executive management remunerations are separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration. Non-executive directors do not receive share options or other incentives.

In particular:
- remuneration of non-executive directors is predominantly in the form of a base fee, which is inclusive of statutory superannuation;
- non-executive directors do not participate in performance-based remuneration;
- non-executive directors do not participate in equity schemes;
- non-executive directors do not receive retirement benefits;
- non-executive directors are remunerated according to the specific activities they undertake and additional remuneration is paid to directors who take on the role of Chair, Committee Chair or membership of Committees; and
- non-executive directors are entitled to be reimbursed for all reasonable out of pocket expenses incurred in connection with the performance of their duties as a director of Affinity Education.

ASX listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. At the company's general meeting held on 18 October 2013 the amount determined was $750,000.

Executive management remuneration
The company aims to reward executives with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable. The objectives of the remuneration policy for executive management of Affinity Education are:
- external equity: Deliver market competitive reward packages necessary to attract and retain talented executive management;
- performance and reward link: Make clear the line of sight between performance and reward to ensure that superior performance is recognised and rewarded, with a view to driving long-term growth and shareholder value;
- internal equity: Provide fair, consistent and internally equitable reward to appropriately compensate executive management for their contributions and performance outcomes;
- affordability and sustainability: Manage the balance between reward funding and Affinity Education’s performance / financial outcomes; and
- communication and governance: Ensure a level of transparency and clarity in reward design and governance processes.

The executive management remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee, based on individual and business unit performance, the overall performance of the company and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs for the company and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the targets of those executives in charge of meeting those targets. The STI is an at-risk payment that recognises outstanding performance of the individual over a 12-month performance period. Executive management are required to exceed individual performance targets to receive the full proportional percentage amount available. Performance will be evaluated through the achievement of individual employee's Key Performance Indicators ('KPIs'). KPIs will be set at the beginning of the performance period and consists of both financial and non-financial measures of performance and will directly align to the corporate KPIs of Affinity Education and to its strategies and performance objectives; sustained evidence of behaviour aligned with Affinity Education's values; and assessed personal effort and contribution.

The key aspects of the STI Plan are:

- Purpose: To drive improved individual and business performance through clear linkages to business strategy.
- Quantum: The STI is set as a maximum percentage of total fixed remuneration ('TSR") each performance period;
- Timing: Awards are determined annually with performance measured over the financial year. Payment is normally made in the March following the end of the performance year;
- KPI's: KPIs for each member of executive management is set by the Board. KPIs consists of a combination of financial and non-financial measures linked to Affinity Education's business strategy and objectives; and
- Assessment: At the end of the financial year, the Board assesses the Managing Director's performance and the Managing Director assesses each executive's performance. The Remuneration and Nomination Committee considers the results and provides feedback, before the assessments of relevant KPIs are tabled with the Board for approval. Payment of any cash bonus is always subject to the discretion of the Board.

The long-term incentives ('LTI') include long service leave and share-based payments. The LTI is an at-risk incentive plan that seeks to align medium and long-term shareholder interests with that of plan participants. Under the LTI plan, eligible participants can be granted performance rights which will only vest on the achievement of certain performance hurdles and service conditions. The LTI plan and any issues to executives will only be made once Shareholder approval is received if required under the Listing Rules and the Corporations Act. Any grants of performance rights under the plan will then be made at the discretion of the Board.

The LTI Plan allows Affinity Education to issue unquoted performance rights to eligible and invited employees. On satisfaction of any performance and service conditions contained in the invitation to an eligible employee, performance rights will be converted to an equivalent number of plan shares.

The plan is designed to provide participating eligible employees with an increased incentive to make a contribution to the long-term sustainable performance of Affinity Education. The grant of performance rights to participants entitles them to be granted an equivalent number of shares upon vesting.

Participants are not required to pay consideration for the acquisition of performance rights granted under the plan or on conversion into plan shares. Vesting of performance rights is subject to vesting (service and performance) conditions as determined by the Board and specified in the participants' invitations.

No performance rights have been issued under the plan.

Company performance and link to remuneration
Remuneration during the period ended 31 December 2013 was comprised of base salary payable in cash and was not directly linked to the performance of the company. A portion of remuneration of some members of the Key Management Personnel was linked to the successful listing of the company.

Use of remuneration consultants
During the financial period ended 31 December 2013, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

Details of remuneration
Amounts of remuneration
Details of the remuneration of the key management personnel of the company are set out in the following tables.

The key management personnel of the company consisted of the following directors of the company:
- Stuart Bruce James - Chairman (appointed on 6 November 2013)
- Justin Michael Laboo (appointed on 6 November 2013)
- Stephanie Jane Daveson (appointed on 6 November 2013)
- Jeffrey Ian Forbes (appointed on 6 November 2013)
- Gabriel Anna Giufre (appointed on 21 May 2013)
- Gregory James Kern (appointed on 21 May 2013 and resigned on 6 November 2013)
- Russell Daly (appointed on 21 May 2013 and resigned on 11 September 2013)
- Fiona Alston (appointed on 11 September 2013 and resigned on 6 November 2013)

And the following person:
- John Bairstow - Chief Financial Officer ('CFO') and Company Secretary

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
Period from 21 May 2013 to 31 Dec 2013	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity settled $	Total $
Non-Executive Directors:							
S B James *	21,041	-	-	-	-	-	21,041
S J Daveson **	15,247	-	-	-	-	-	15,247
J I Forbes	13,956	-	-	1,291	-	-	15,247
Executive Directors:							
J M Laboo ***	106,204	46,200	-	9,824	-	53,125	215,353
G A Giufre	11,909	-	-	1,009	-	-	12,918
Other Key Management Personnel:							
J Bairstow ****	50,822	32,100	-	4,646	-	26,563	114,131
	219,179	78,300	-	16,770	-	79,688	393,937

* Fees payable to Glan Avon Investments Pty Ltd, an entity controlled by Stuart James.
** Fees payable to Eyedee Pty Ltd, an entity controlled by Stephanie Daveson.
*** Cash bonus was payable on successful listing of the company and was paid on 10 December 2013 pursuant to the Executive Employment Agreement. Share based payment relates to the issue of 250,000 fully paid ordinary shares in the company prior to its listing pursuant to the Executive Employment Agreement. Fair value of the shares was assessed using the indirect method.
**** Cash bonus was payable on successful listing of the company and was paid on 10 December 2013 pursuant to the Executive Employment Agreement. Share based payment relates to the issue of 125,000 fully paid ordinary shares in the company prior to its listing pursuant to the Executive Employment Agreement. Fair value of the shares was assessed using the indirect method.

Fees disclosed are from date of appointment as a key management personnel to the period ended 31 December 2013. No remuneration was paid to Gregory Kern, Russell Daly and Fiona Alston during the period.

Jeffrey Forbes provided services prior to being appointed as a Director on 6 November 2013. Amounts paid to Jeffrey Forbes for these services totalled $13,356.

In relation to former director, Gregory Kern who resigned on 6 November 2013, the company paid an entity associated with Gregory Kern, as lead advisor to the company, $862,750 (excluding disbursements and GST). Of the $862,750, $340,000 related to services associated with the establishment of the initial portfolio of child care centres with the balance associated with services associated with the Listing of Affinity Education. The services performed by the lead advisor included sourcing seed investors, identifying and entering into negotiations with Eternal Echoes Pty Ltd, Agents and vendors of the childcare centres sourcing the senior management team and Board, identifying and appointing other professional advisors on behalf of Affinity Education and other ancillary services.

Please refer to note 30 'Related party transactions' for transactions with entities associated with Stuart James and Gabrielle Giufre.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration Period from 21 May 2013 to 31 Dec 2013	At risk - STI Period from 21 May 2013 to 31 Dec 2013	At risk - LTI Period from 21 May 2013 to 31 Dec 2013
Non-Executive Directors:			
S B James	100%	-%	-%
S J Daveson	100%	-%	-%
J I Forbes	100%	-%	-%
Executive Directors:			
J M Laboo *	13%	87%	-%
G A Giufre	100%	-%	-%
Other Key Management Personnel:			
J Bairstow *	13%	87%	-%

* Amounts owing to Justin Laboo and John Bairstow under the terms of their executive employment agreements for services provided prior to listing, only became payable upon the successful listing of the company.

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable Period from 21 May 2013 to 31 Dec 2013	Cash bonus forfeited Period from 21 May 2013 to 31 Dec 2013
Executive Directors:		
J M Laboo	100%	-%
Other Key Management Personnel:		
J Bairstow	100%	-%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Stuart Bruce James
Title:	Chairman, Independent Non-Executive Director
Agreement commenced:	6 November 2013
Term of agreement:	Ongoing
Details:	Base fee of $120,000 per annum, Audit and Risk Committee Fee of $15,000 per annum and Remuneration and Nomination Committee fee of $15,000 per annum. Fees include superannuation.

Name:	Justin Michael Laboo
Title:	CEO and Managing Director
Agreement commenced:	1 September 2013
Term of agreement:	Ongoing
Details:	Total fixed remuneration of $350,000 per annum, entitled to one-off cash bonus on listing and includes superannuation. Justin is eligible to participate in the company's LTI and STI Plans. He may terminate his employment contract by giving 4 months' notice. In the event of termination by the company, Justin is entitled to a payment equivalent to 12 months' salary. Restraint of trade on termination is 24 months.

Name:	Stephanie Jane Daveson
Title:	Independent Non-Executive Director
Agreement commenced:	6 November 2013
Term of agreement:	Ongoing
Details:	Base fee of $75,000 per annum, Audit and Risk Committee Fee of $15,000 per annum and Remuneration and Nomination Committee fee of $25,000 per annum. Fees include superannuation.

Name:	Jeffrey Ian Forbes
Title:	Independent Non-Executive Director
Agreement commenced:	6 November 2013
Term of agreement:	Ongoing
Details:	Base fee of $75,000 per annum, Audit and Risk Committee Fee of $25,000 per annum and Remuneration and Nomination Committee fee of $15,000 per annum. Fees include superannuation.

Name:	Gabriel Anna Giufre
Title:	COO and Executive Director
Agreement commenced:	6 November 2013
Term of agreement:	Ongoing
Details:	Total fixed remuneration of $162,000 per annum, includes superannuation and car allowance of $1,000 per month. Gabriel is eligible to participate in the company's LTI and STI Plans. She may terminate her employment contract by giving 4 months' notice. In the event of termination by the company, Gabriel is entitled to a payment equivalent to 12 months' salary. Restraint of trade on termination is 24 months.

Name:	John Bairstow
Title:	CFO and Company Secretary
Agreement commenced:	16 September 2013
Term of agreement:	Ongoing
Details:	Total fixed remuneration of $191,000 per annum, includes superannuation. John is eligible to participate in the company's LTI and STI Plans. He may terminate his employment contract by giving 4 months' notice. In the event of termination by the company, John is entitled to a payment equivalent to 12 months' salary.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
Details of shares issued to directors and other key management personnel as part of compensation during the period ended 31 December 2013 are set out below:

Name	Date	No of shares	Issue price	$
Justin Michael Laboo	5 November 2013	250,000	$0.213	53,125
John Bairstow	5 November 2013	125,000	$0.213	26,563

Performance rights
There were no performance rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 31 December 2013.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the period ended 31 December 2013.

This concludes the remuneration report, which has been audited

Shares under performance rights
There were no unissued ordinary shares of the company under performance rights outstanding at the date of this report.

Shares issued on the exercise of performance rights
There were no ordinary shares of the company issued on the exercise of performance rights during the period ended 31 December 2013 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial period, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

Indemnity and insurance of auditor
The company has not, during or since the financial period, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial period by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial period, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Officers of the company who are former audit partners of PricewaterhouseCoopers
There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor
PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

____
Stuart James
Chair

27 February 2014
Southport

Auditor's Independence Declaration

As lead auditor for the audit of Affinity Education Group Limited for the period ended 31 December 2013, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

D.G. Smith

Debbie Smith
Partner
PricewaterhouseCoopers

Brisbane
27 February 2014

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1 Introduction
This Corporate Governance Statement provides an overview of Affinity Education Group Limited's ('Affinity Education' or the 'company') governance framework and reports against the ASX Corporate Governance Principles and Recommendations (2nd Edition) as amended in 2010 (ASX Principles).

Affinity Education complies with the ASX Principles, unless otherwise stated. A summary table of the ASX Principles cross referencing the sections of this Statement that explain how the company complies with the ASX Principles can be found in this Statement and on the company's website http://www.affinityeducation.com.au.

The policies and charters referred to in this Statement are also available on the company's website, unless noted in this Statement that the policy or charter is an internal document.

2 Board and management

2.1 Board of directors
The directors bring to the Board relevant expertise and skills, including industry and business knowledge, financial management and corporate governance experience. Information on the directors, their profiles, special responsibilities and skills and experience can be found on in the 'Information on directors' section of the Directors' report.

Details of the director's position and date of appointment is as follows:

Name	Position	Date Appointed to Board
Stuart Bruce James	Chairman, Independent Non-Executive Director	6 November 2013
Justin Michael Laboo	Chief Executive Officer ('CEO') and Managing Director	6 November 2013
Stephanie Jane Daveson	Independent Non-Executive Director	6 November 2013
Jeffrey Ian Forbes	Independent Non-Executive Director	6 November 2013
Gabriel Anna Giufre	Chief Operating Officer ('COO') and Executive Director	21 May 2013

2.2 Executive management
The management team has strong experience in the childcare industry and business sector. Profiles of each member of the management team including their skills and experience can be found on the company's website.

Name	Position
Justin Michael Laboo	CEO and Managing Director
Gabriel Anna Giufre	COO and Executive Director
John Bairstow	Chief Financial Officer ('CFO') and Company Secretary
Fiona Alston	National Operations Manager

3 Corporate Governance Framework
The Board is responsible for the overall corporate governance of Affinity Education.

The Board monitors the operational and financial position and performance of Affinity Education and oversees its business strategy, including approving the strategic goals of Affinity Education and considering and approving annual business plans and budgets.

The Board is committed to maximising performance, generating appropriate levels of shareholder value and financial return, and sustaining the growth and success of Affinity Education.

In conducting Affinity Education's business with these objectives, the Board seeks to ensure that Affinity Education is properly managed to protect and enhance shareholder interests, and that Affinity Education, its directors, officers and employees operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a governance framework for managing Affinity Education including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for Affinity Education's business and which are designed to promote the responsible management and conduct of Affinity Education. While at all times the Board is responsible for guiding and monitoring the company's performance, it makes use of Board Committees to perform certain of its functions and to provide it with recommendations and advice. The Board has established two Board Committees. These committees and their membership is as follows:

Audit and Risk Committee		**Remuneration and Nomination Committee**	
Jeffrey Ian Forbes	Chair	Stephanie Jane Daveson	Chair
Stuart Bruce James	Member	Stuart Bruce James	Member
Stephanie Jane Daveson	Member	Jeffrey Ian Forbes	Member

4 Operation of the Board

Available on the company's website: www.affinityeducation.com.au	☑ Affinity Education's Constitution ☑ Information regarding the Directors' experience and expertise ☑ Board Charter ☑ Delegation of Authority Policy ☑ Audit and Risk Committee Charter ☑ Remuneration and Nomination Committee Charter

4.1 Board Charter and responsibility

The Board has adopted a written charter to provide a framework for the effective operation of the Board, which sets out:

- the composition, role and responsibilities of the Affinity Education Board;
- Board processes; and
- procedures to promote the effective operation of the Board and each Director.

Role of the Board

The Board's role is documented in the Board Charter and summarised below:

Strategic direction	setting and endorsing the strategic direction on all matters of importance to the company, setting the company's financial objectives and making sure that the necessary financial and human resources are in place for the company to meet its objectives
Control and accountability	oversight of the company, including its control and accountability systems
Performance monitoring	making sure that the performance of management, directors and the Board itself, is regularly assessed and monitored
Values and standards	setting the company's values and standards of conduct and ensuring that these are adhered to
Stakeholders	safeguarding the interests of the company's shareholders, employees, customers, suppliers and the communities in which it operates
Reputation	supervising and approving any action relating to matters which have the potential to have a material impact on the reputation of the company
Risk management	establishing a framework of prudent and effective controls which enable risk to be assessed and managed
Environment	making sure that the company conducts all its activities in an environmentally responsible way by planning and managing all activities to ensure minimum environmental impact and maximum sensitivity to the culture of the people they may affect
Safety	making sure that all activities undertaken by the company are conducted safely and so as to avoid accidents or injuries
Compliance	monitoring compliance with legal and ethical obligations
Remuneration	establishing the remuneration policy for Directors, executives and other employees of the company

Matters which are specifically reserved for the Board or its committees are set out in the Delegation of Authority Policy and its associated delegations matrix (internal document) and include:

- appointment of a Board Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as an additional director;
- establishment of Board committees, their membership and delegated authorities;
- approval of any loan or capital raising;
- approval of dividends;
- approval of strategy;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

4.2 Role of the Chairman

Stuart James has been appointed as Chairman of the Board and is an independent non-executive director. The Chairman's role is to:

- be clear on what the Board has to achieve, both in the long and short term;
- provide guidance to other Board members about what is expected of them;
- ensure that Board meetings are effective;
- brief all directors in relation to issues arising at Board meetings;
- ensure that the decisions of the Board are implemented properly;
- ensure that the Board behaves in accordance with its Code of Conduct; and
- commence the annual process of Board and director evaluation.

The Board Charter provides that the Chairman and Managing Director roles cannot be undertaken by the same person.

4.3 Role of the Company Secretary

The Company Secretary is appointed by the Board in accordance with the Constitution.

The Company Secretary is charged with facilitating the company's corporate governance processes and so holds primary responsibility for ensuring that the Board processes and procedures run efficiently and effectively. The Company Secretary is accountable to the Board, through the Chairman, on all governance matters and reports directly to the Chairman as the representative of the Board.

The Company Secretary is appointed and dismissed by the Board and all Directors have a right of access to the Company Secretary.

Details of the Company Secretary and his experience can be found in the 'Company secretary' section of the Directors' report.

5 Board composition, independence, performance evaluation and tenure

Available on the company's website: www.affinityeducation.com.au	☑ Affinity Education's Constitution ☑ Information regarding the Directors' experience and expertise ☑ Board Charter

5.1 Composition of the Board

The majority of the Board of Affinity Education, as detailed in section 2.1 above, are independent non-executive directors.

5.2 Independence of directors

Affinity Education has a Board, constituted by a majority of independent directors and an independent Chair.

The Board has considered the question of what criteria are relevant when determining if a director is independent and has developed materiality guidelines for assessing independence.

The Board uses materiality guidelines as a guide to assess independence on a case-by-case basis, having regard to both the quantitative and qualitative criteria set out in those guidelines and assesses at least on an annual basis whether each director remains an Independent Director in the light of the interests disclosed by them. Each director must provide the Board with all relevant information for this purpose.

The independent directors are disclosed in section 2.1 above and in the Directors' report.

5.3 Director tenure

At each general meeting, one third of the Directors (other than the Managing Director) will retire from office and must stand for re-election.

The Board will not recommend a director for re-appointment unless the director's recent individual performance and contribution justify his or her reappointment to the Board and continuing tenure on the Board.

5.4 Director election and induction

The Board Charter provides a documented procedure for the appointment and re-election of non-executive directors. Regularly assessing and identifying the necessary and desirable qualifications, skills, diversity of gender, experience and knowledge for Board members, together with independence considerations, will inform any decision by the Board to appoint new directors.

5.5 Facilitating independent decision making by the Board

Each director has the right to seek independent professional advice at the company's expense after consultation with the Chairman. Once received, the advice is to be made immediately available to all Board members.

The company has, and meets the expenses of, a policy of Directors' and Officers' insurance.

5.6 Board, committee and director performance evaluations

Affinity Education has a performance evaluation process in relation to the Board and its committees. Each year, the directors provide feedback in relation to the performance of the Board and its committees against a set of agreed criteria. Each committee of the Board also provides feedback in terms of a review of its own performance.

Feedback is collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.

The CEO also provides feedback from Management in connection with any issues that may be relevant in the context of the Board performance reviews. Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

The first performance evaluation of the Board, its committees and the senior executives will take place during the year ending 31 December 2014.

An evaluation of each Board meeting is included as a standing item of business at the close of monthly meetings of the Board. The purpose of this evaluation is, amongst other things, to assess the effectiveness of the conduct of Board meetings, the quality and timeliness of Board papers, the levels of contribution and engagement by directors in the meeting, the extent to which the Board and management understood and performed their respective roles in the meeting and the extent to which the Board kept its focus on strategic issues during the meeting.

5.7 Board meetings

Details of the number of meetings of the Board and each committee held can be found in the 'Meetings of directors' section of the Directors' report. Meetings are held monthly and the information provided to the Board includes all material information on performance against key performance indicators, operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessments, new venture proposals and health and safety reports.

6 Board committees

Available on the company's website: www.affinityeducation.com.au	☑ Audit and Risk Committee Charter ☑ Remuneration and Nomination Committee Charter

The Board has the power to establish Board committees from time-to-time to assist in the discharge of its responsibilities. The Board has established the Audit and Risk Committee ('ARC') and the Remuneration and Nomination Committees ('RNC') and has adopted a charter for each Committee, setting out their roles and responsibilities and rules of operation.

6.1 Audit and Risk Committee ('ARC')

Under its charter, the ARC must have at least three members who must be independent non-executive directors, including the Committee Chair - refer to section 3 above for current committee members. In accordance with its charter, it is intended that all members of the committee be financially literate and have familiarity with financial management and at least one member should have relevant qualifications and experience.

The primary roles of this committee include:

- overseeing the process of financial reporting, internal control, continuous disclosure, financial and non-financial risk;
- monitoring the external audit;
- reviewing the effectiveness of the audit functions;
- providing advice in relation to Affinity Education's occupational health and safety management and performance and auditing systems;
- reviewing the performance and independence of the external auditors and making suggestions to the Board;
- evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard the assets of Affinity Education;
- overseeing that all proper remedial action is undertaken to redress areas of weakness;
- reviewing and approving financial reports or financial information, including such information as is to be distributed externally;
- obtaining outside accounting, legal, compliance, risk management or other professional advice as it determines necessary to carry out its duties;
- periodically meeting separately with management and the external auditors to discuss:
  - the adequacy and effectiveness of the accounting and financial controls, including Affinity Education's policies and procedures to assess, monitor and manage business risk, and legal and ethical compliance programmes;
  - issues and concerns warranting audit and risk management committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement;
  - corporate risk assessment and compliance with internal controls;
  - assessing any internal audit functions and financial management processes supporting external reporting;
  - assessing the adequacy of external reporting for the needs of Shareholders;
  - monitoring compliance with Affinity Education's code of conduct, risk management policies and compliance function; and
  - reporting to the Board on any of the above responsibilities and functions.

The responsibilities of the ARC include consideration of the appointment of the external auditor, approval the remuneration and terms of engagement of the external auditor, monitoring and reviewing the external auditor's independence, objectivity and effectiveness and developing and implementing policy on the engagement of the external auditor to supply consultancy services, taking into account relevant ethical guidance regarding the provision of consultancy services by the external audit firm. The Board is responsible for the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the company.

The external auditor will be invited to attend meetings of the ANC and presents the outcomes of external audits of the company.

6.2 Remuneration and Nomination Committee ('RNC')

Under its charter, the RNC must have at least three members who must be independent non-executive directors, including the Chair - refer to section 3 above for current committee members. The main functions of the committee are to ensure Affinity Education's remuneration structures are equitable and aligned with the long-term interests of Affinity Education and its shareholders and to assist the Board with establishing a board of effective composition, size, diversity, expertise and commitment to adequately discharge its responsibilities and duties, and assist the Board with discharging its responsibilities to shareholders and other stakeholders to seek to ensure that Affinity Education has policies to evaluate the performance of the Board, individual directors and executives.

The Committee has regard to relevant company policies in attracting and retaining skilled executives, and structuring short and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns.

The Committee is also responsible for reviewing Board membership, making recommendations to the Board, including the re-election of directors, and assisting the Board as required in identifying individuals who are qualified to become Board members (including in respect of executive directors).

7 Operation of executive management

7.1 The role of management

The management function is conducted by, or under the supervision of, the Managing Director as directed by the Board (and by officers to whom the management function is properly delegated by the Managing Director). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate.

7.2 Role of the Managing Director / CEO

The CEO is responsible for the attainment of the company's goals and vision for the future, in accordance with the strategies, policies, programs and performance requirements approved by the Board. The position reports directly to the Board.

The CEO's primary objective is to ensure the ongoing success of the company through being responsible for all aspects of the management and development of the company.

The CEO specific responsibilities include:

- developing, in conjunction with the Board, the company's vision, values, strategy and goals;
- responsibility for the achievement of corporate goals and objectives;
- implementing and monitoring strategy and reporting/presenting to the Board on current and future initiatives;
- advising the Board regarding the most effective organisational structure and overseeing its implementation;
- assessing business opportunities of potential benefit to the company;
- sustaining competitive advantage through maximising available resources, encouraging staff commitment and strategically aligning the corporate culture with the organisation's goals and objectives;
- establishing and maintaining effective and positive relationships with Board members, shareholders, customers, suppliers and other government and business liaisons;
- ensuring statutory, legal and regulatory compliance and comply with corporate policies and standards;
- ensuring appropriate risk management practices and policies are in place;
- developing and motivating direct reports and their respective teams; and
- ensuring there is an appropriate staff appraisal system in place in the company.

7.3 Role of the COO and Executive Director

The Board has appointed the COO to the Board as an executive director.

The Board's decision to appoint the COO to the Board as an executive director is based on the COO's:

- deep knowledge of the business, its strategy and direction;
- deep knowledge of the industry and the competitive pressures; and
- technical expertise in the child care industry.

The COO position reports directly to the Managing Director and is accountable for:

- developing corporate plans which add significantly to shareholder value and provide a basis for budgets;
- building and maintaining a management team, with structure and succession plans, capable of delivering strong financial and operational performance;
- ensuring Affinity Education is capable of meeting obligations to various stakeholders, especially governments, employees, customers, suppliers, debt and equity providers;
- leading innovation and efficiency programmes by fostering a continuous improvement approach throughout Affinity Education;
- ensuring Affinity Education has systems and procedures to effectively meet its reporting and other statutory obligations; and
- ensuring Affinity Education's corporate values are upheld by self and direct reports through visible leadership, including day-to-day actions that demonstrate those values.

7.4 Executive management performance

Affinity Education recognises both the need to formulate and meet its goals and objectives and the key role that the Executive Management plays in ensuring the company meets those goals and objectives.

Affinity Education's performance appraisal program emphasises and encourages improvement in performance while giving executives (and other employees) the opportunity to develop. Performance reviews are undertaken on an annual basis and consists of three components:

- assessing performance against key roles and responsibilities and the company's values;
- assessing performance of Key Performance Indicators established at the beginning of performance year; and
- determining performance improvement or development requirements.

Under the Delegation of Authority Policy and Matrix the Board has expressly reserved to itself the review of the Managing Director's performance.

8 Ethical and responsible decision making

Available on the company's website: www.affinityeducation.com.au	☑ Code of Conduct ☑ Diversity Policy

8.1 Code of Conduct

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct (the 'Code') that sets out the conduct expectations for the Board, management and employees of the company when dealing with each other, shareholders and the broader community.

The Code provides a linkage to Affinity Education's policies and it is instrumental to ensuring good corporate governance practices and maintaining the highest standards of integrity.

The key aspects of this code are to:

- act with honesty, integrity and fairness and in the best interests of Affinity Education and consistent with the reasonable expectations of Affinity Education's Shareholders;
- act in accordance with all applicable laws, regulations, policies and procedures;
- be polite and courteous and treat colleagues fairly and with respect and consideration;
- have responsibility and accountability for individuals for reporting and investigating reports of unethical practices; and
- use Affinity Education's resources and property properly.

The Code summarises Affinity Education's policies on various matters including legal compliance, ethical conduct, business conduct, health and safety, privacy, confidentiality, appropriate use of information technology, gifts, inducements and bribes, financial integrity, and conflicts of interest.

8.2 Embracing diversity

Affinity Education has adopted a diversity policy which sets out the high level principles upon which the company will seek to achieve cultural, age and gender diversity principles that will guide and inform decision making across the business in areas such as the recruitment and retention of staff, workforce planning, work arrangements, accommodation facilities and access to training and development.

Affinity Education will ensure effective promotion of diversity in the workplace and will review its policies in order to maximise the outcomes so they are utilised at a management level.

Due to the current initial acquisition state of the company, the objectives for achieving diversity and progress towards achieving them have not yet been established.

As at 31 December 2013, the profile of women in positions within the company was as follows:

Position	**Proportion of Women as Percentage (%)**
Board	40%
Executive Management (including Executive Directors)	33%
Company-wide	>95%

9 Timely and balanced disclosures

Available on the company's website: www.affinityeducation.com.au	☑ Disclosure Policy ☑ Shareholder Communication Policy

Affinity Education is committed to observing its disclosure obligations under ASX Listing Rules and the Corporations Act.

Affinity Education discloses to the ASX any information concerning Affinity Education which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the shares, in accordance with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.

Affinity Education has adopted a Disclosure Policy, whose procedures are aimed at ensuring that directors and management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information. Continuous disclosure announcements will be lodged with the ASX and made available on the company's website.

The Disclosure Policy reflects the disclosure requirements of the ASX Listing Rules, and provides procedural guidance and allocates responsibilities in relation to:

- appointment of Disclosure Officers and their roles and responsibilities;
- information collection and determining if information requires disclosure;
- releasing information to the ASX;
- implementing education sessions in relation to continuous disclosure
- monitoring price, ASX trading and media; and
- acting as spokesperson for the company.

The Shareholder Communication Policy (summarised in section 11) deals with:

- inclusion of information on the company's website;
- handling market rumour or speculation; and
- investor and analyst briefings and conference presentations.

It is a standing item of business at the conclusion of each Board meeting for the Board and management present to assess whether any matters arose in the course of the meeting requiring disclosure under the ASX Listing Rules.

10 Trading in company securities by directors and employees

Available on the company's website: www.affinityeducation.com.au	☑ Securities Trading Policy

Affinity Education has a written policy for dealing in securities that is intended to explain the prohibited type of conduct in relation to dealings in securities under the Corporations Act and to establish a best practice procedure in relation to dealings in shares by directors and officers.

Directors and officers are not permitted to trade except with written clearance or during an open trading window, which means a period of one month starting 48 hours after each of:

- the announcement to the ASX of the half-yearly and annual results; and
- the conclusion of the annual general meeting.

Outside of these periods, directors and officers must receive clearance for any proposed dealing in shares. In all instances, buying or selling shares is not permitted at any time by any person who possesses price-sensitive information.

11 Respecting the rights of shareholders

Available on the company's website: www.affinityeducation.com.au	☑ Shareholder Communication Policy

The objective of Affinity Education's shareholder communication policy is to ensure shareholders are provided with information about Affinity Education in a timely and transparent manner in order to enable them to exercise their rights as shareholders in an informed manner.

Affinity Education recognises that people other than shareholders, such as potential investors or other interested stakeholders, may also have an interest in information about Affinity Education.

Affinity Education aims to be open and transparent with all stakeholders, and strives to convey to its shareholders pertinent information in a detailed, factual and timely manner, subject to maintaining Affinity Education's competitive position or complying with relevant confidentiality or other legal obligations.

Information is communicated to shareholders through the lodgement of all relevant financial and other information with the ASX and by publishing information on Affinity Education's website www.affinityeducation.com.au.

The Communications Policy highlights the following key principles underpinning Affinity Education's communication with shareholders:

- all communication with shareholders is in a plain language so that it is easily able to be understood by all shareholders. Communication should avoid specialised language and include a glossary where appropriate;
- all information with the potential to affect the value of shares in the company or to influence decisions taken by investors is disclosed to the ASX in accordance with the ASX Listing Rules;
- shareholders are provided with balanced communication to enable them to make an informed assessment of the performance of the company and the value of its shares; and
- all shareholders have equal access to information regarding the company, without selective disclosure. Information is not to be provided to a select group of shareholders without it first being released to the ASX.

12 Recognising and managing risk

Available on the company's website: www.affinityeducation.com.au	☑ Risk Management Policy

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

The Board is responsible for overseeing and approving risk management strategy and policies. The Board has delegated to the ARC responsibility for:

- advising and assisting the Board in assessing risk factors and risk mitigation strategies associated with the execution of projects and the implementation of strategy;
- monitoring the internal and external risk environments of the company; and
- reviewing, at least annually, the effectiveness of the company's implementation of its Risk Management Policy, and report to the Board on its findings.

The ARC will monitor and review the implementation and operation of the Risk Management Framework and Policy and the Risk Management Guidelines (internal document).

Affinity Education regularly undertakes reviews of its risk management procedures to ensure that it complies with its legal obligations, including assisting the CEO or CFO to provide the required declaration under section 295A of the Corporations Act.

The Board has received written assurance from the CEO and CFO that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Affinity Education is implementing a system whereby Management is required to report as to its adherence to policies and guidelines approved by the Board for the management of risks.

13 Remunerate fairly and responsibly

Available on the company's website: www.affinityeducation.com.au	☑ Remuneration Policy

The company's Remuneration Policy distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

For executive directors and senior executives, remuneration comprises total fixed remuneration ('TFR') short-term incentive ('STI') and long term incentive ('LTI'). The Board has determined that executive directors and senior executives will not participate in any STI or LTI plans for 2014 and these plans are not expected to commence before 1 January 2015.

Further details can be found in the 'Remuneration report' which is part of the Directors' report.

14 ASX Principles: Summary table of compliance

The following table summarises the company's compliance with the ASX Principles. It references sections of this Corporate Governance Statement ('CGS') and associated charters and policies which are available on the company's website.

	ASX Principles and Recommendations	**Compliance**	**Corporate Governance Statement Reference**	**Website Documentation**
Principle 1 – Lay solid foundations for management and oversight				
1.1	The company has established the functions reserved to the Board and those delegated to senior executives.	Yes	CGS 4.2 CGS 7	Board Charter
1.2	The company has disclosed its process for evaluating the performance of senior executives.	Yes	CGS 7.4	Delegation of Authority Policy and Matrix
1.3	The company has provided the information indicated in the guide to reporting on Principle 1.	Yes, where applicable		Company Constitution
Principle 2 – Structure the Board to add value				
2.1	A majority of the Board are independent directors.	Yes	CGS 5.2	Board Charter
2.2	The Chair is an independent director.	Yes	CGS 4.2	
2.3	The roles of Chair and Chief Executive Officer are not exercised by the same individual.	Yes	CGS 2.1	RNC Charter
2.4	The Board has established a Nomination Committee.	Yes	CGS 6.2	
2.5	The company has disclosed the process for evaluating the performance of the Board, its committees and individual directors.	Yes	CGS 5.6	
2.6	The company has provided the information indicated in the guide to reporting on Principle 2.	Yes, where applicable		
Principle 3 – Promote ethical and responsible decision-making				
3.1	The company has established a code of conduct and has disclosed the code or a summary of the code.	Yes	CGS 8.1	Code of Conduct
3.2	The company has established a policy concerning diversity and disclosed the policy or a summary of that policy. The policy includes requirements for the Board to establish measureable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	Yes	CGS 8.2	Diversity Policy
3.3	The company has disclosed in its annual report the measureable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No	CGS 8.2	
3.4	The company has disclosed in its annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	CGS 8.2	
3.5	The company has provided the information indicated in the guide to reporting on Principle 3.	Yes, where applicable		

ASX Principles and Recommendations		**Compliance**	**Corporate Governance Statement Reference**	**Website Documentation**
Principle 4 – Safeguard integrity in financial reporting				
4.1	The Board has established an audit committee.	Yes	CGS 6.1	ARC Charter
4.2	The audit committee has been structured so that it: • consists only of non-executive Directors; • consists of a majority of independent Directors; • is chaired by an independent chair, who is not chair of the Board; and • has at least three members.	Yes	CGS 3 CGS 6.1	
4.3	The audit committee has a formal charter.	Yes	CGS 6.1	
4.4	The company has provided the information indicated in the guide to reporting on Principle 4.	Yes, where applicable		
Principle 5 – Make timely and balanced disclosure				
5.1	The company has established written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and ensure accountability at senior executive level for that compliance and disclosed those policies or a summary of those policies.	Yes	CGS 9	Disclosure Policy Shareholder Communication Policy
5.2	The company has provided the information indicated in the guide to reporting on Principle 5.	Yes, where applicable		
Principle 6 – Respect the rights of shareholders				
6.1	The company has a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclosed the policy or a summary of the policy.	Yes	CSG 9 CGS 11	Disclosure Policy Shareholder Communication Policy
6.2	The company has provided the information indicated in the guide to reporting on Principle 6.	Yes, where applicable		
Principle 7 – Recognise and manage risk				
7.1	The company has established policies for the oversight and management of material business risks and disclosed a summary of those policies.	Yes	CGS 12	Risk Management Policy
7.2	The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board has disclosed that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	CGS 12	
7.3	The Board has disclosed whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	CGS 12	
7.4	The company has provided the information indicated in the guide to reporting on Principle 7.	Yes, where applicable		

ASX Principles and Recommendations		**Compliance**	**Corporate Governance Statement Reference**	**Website Documentation**
Principle 8 – Remunerate fairly and responsibly				
8.1	The Board has established a remuneration committee.	Yes	CGS 6.2	RNC Charter Remuneration Policy
8.2	The remuneration committee is structured so that it: • consists of a majority of independent directors • is chaired by an independent chair • has at least three members	Yes	CGS 3 CGS 6.2	
8.3	The company clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	CGS 13	
8.4	The company has provided the information indicated in the guide to reporting on Principle 8.	Yes, where applicable		

Contents

General information

The financial report covers Affinity Education Group Limited as an individual entity. The financial report is presented in Australian dollars, which is Affinity Education Group Limited's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Affinity Education Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

170 Scarborough Street
Southport QLD 4215

A description of the nature of the company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 27 February 2014. The directors have the power to amend and reissue the financial report.

Affinity Education Group Limited
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2013

	Note	Period from 21 May 2013 to 31 Dec 2013 $'000
Revenue	4	3,677
Expenses		
Raw materials and consumables used		(503)
Employee benefits expense		(3,335)
Depreciation and amortisation expense	5	(67)
Administration expenses		(368)
Occupancy expenses		(698)
Integration expenses		(609)
Acquisition costs	31	(7,485)
Finance costs	5	(60)
Loss before income tax benefit		(9,448)
Income tax benefit	6	592
Loss after income tax benefit for the period attributable to the owners of Affinity Education Group Limited	22	(8,856)
Other comprehensive income for the period, net of tax		-
Total comprehensive income for the period attributable to the owners of Affinity Education Group Limited		(8,856)
		Cents
Basic earnings per share	34	(67.06)
Diluted earnings per share	34	(67.06)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Affinity Education Group Limited
Statement of financial position
As at 31 December 2013

	Note	31 Dec 2013 $'000
Assets		
Current assets		
Cash and cash equivalents	7	3,068
Trade and other receivables	8	2,176
Other	9	392
		5,636
Non-current assets classified as held for sale	10	250
Total current assets		5,886
Non-current assets		
Property, plant and equipment	11	3,358
Intangibles	12	62,122
Deferred tax	13	3,456
Total non-current assets		68,936
Total assets		74,822
Liabilities		
Current liabilities		
Trade and other payables	14	5,073
Borrowings	15	19
Provisions	16	2,881
Other	17	452
Total current liabilities		8,425
Non-current liabilities		
Borrowings	18	40
Provisions	19	843
Other	20	75
Total non-current liabilities		958
Total liabilities		9,383
Net assets		65,439
Equity		
Issued capital	21	74,295
Accumulated losses	22	(8,856)
Total equity		65,439

The above statement of financial position should be read in conjunction with the accompanying notes

	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 21 May 2013	-	-	-
Loss after income tax benefit for the period	-	(8,856)	(8,856)
Other comprehensive income for the period, net of tax	-	-	-
Total comprehensive income for the period	-	(8,856)	(8,856)
Transactions with owners in their capacity as owners:			
Contributions of equity, net of transaction costs (note 21)	74,215	-	74,215
Share-based payments (note 35)	80	-	80
Balance at 31 December 2013	74,295	(8,856)	65,439

The above statement of changes in equity should be read in conjunction with the accompanying notes

Affinity Education Group Limited
Statement of cash flows
For the period ended 31 December 2013

	Note	Period from 21 May 2013 to 31 Dec 2013 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)		1,958
Payments to suppliers and employees (inclusive of GST)		(8,713)
		(6,755)
Interest and other finance costs paid		(22)
Net cash used in operating activities	33	(6,777)
Cash flows from investing activities		
Payment for purchase of business	31	(60,414)
Payments for property, plant and equipment	11	(79)
Payments for intangibles	12	(744)
Payments for security deposits		(22)
Net cash used in investing activities		(61,259)
Cash flows from financing activities		
Proceeds from issue of shares	21	76,925
Share issue transaction costs		(5,880)
Proceeds from borrowings		59
Proceeds from seed capital loans		1,375
Repayment of seed capital loans		(1,375)
Net cash from financing activities		71,104
Net increase in cash and cash equivalents		3,068
Cash and cash equivalents at the beginning of the financial period		-
Cash and cash equivalents at the end of the financial period	7	3,068

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

New, revised or amending Accounting Standards and Interpretations adopted
The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Accounting period
The company was incorporated on 21 May 2013 and the financial statements are for the period from 21 May 2013 to 31 December 2013. No comparatives are therefore presented.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of discounts given.

Provision of child care services
Revenue is recognised as and when the child attends, or was scheduled to attend, a child care service. Revenue consists of parental fees and government subsidies.

Management fees
Management fees are fees paid by owners of managed centres. The revenue is recognised when the service has been performed.

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 1. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entity's which intend to settle simultaneously.

Current and non-current distinction
Assets and liabilities are presented in statement of financial position based on current and non-current classification.

An asset as current when: it is expected to be realised or intended to sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market for the asset or liability.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable with external sources of data.

Note 1. Significant accounting policies (continued)

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Note 1. Significant accounting policies (continued)

Impairment of financial assets
The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Fixtures and fittings	3 - 5 years
Motor vehicles	3 - 12 years
Computer equipment	3 years
Other equipment	3 - 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the inception of the lease at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 1. Significant accounting policies (continued)

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 7 years.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
These amounts represent liabilities for goods and services provided to the company prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including interest on finance leases.

Provisions
Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using the risk-free rate. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 1. Significant accounting policies (continued)

Employee benefits

Wages and salaries, annual leave, long service leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave are recognised in respect of services provided by employees up to the reporting date and measured based on expected date of settlement. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for wages and salaries, and annual leave expected to be settled after 12 months of the reporting date, and long service leave is recognised and measured as the present value of expected future payments to be made using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the company receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 1. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the company or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the company or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 1. Significant accounting policies (continued)

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Affinity Education Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the financial period.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2013. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 ‘Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 January 2014 may increase the disclosures by the company.

AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 January 2014 will not have a material impact on the company.

Note 1. Significant accounting policies (continued)

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments; Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 January 2015 will not have a material impact on the company.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments; Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 January 2015 will not have a material impact on the company.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The company measures the cost of equity-settled transactions with employees by reference to the estimated market value at the date of transaction granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The company determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Goodwill and other indefinite life intangible assets
The company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the company considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the company taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments
The company operates in one segment, being provision of education and care to children aged 6 weeks to 12 years. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

As a result of this, the operating segment information is as disclosed in the statements and notes to the financial statements throughout the report.

Major customers
During the period ended 31 December 2013, none of the company's external revenue was derived from sales to one specific customer or group of customers that derived more than 10% of the revenue figure.

Note 4. Revenue

	Period from 21 May 2013 to 31 Dec 2013
	$'000
Sales revenue	
Provision of child care services	3,626
Other revenue	
Management fees	51
Revenue	3,677

Note 5. Expenses

	Period from 21 May 2013 to 31 Dec 2013 $'000
Loss before income tax includes the following specific expenses:	
Depreciation	
Fixtures and fittings	36
Motor vehicles	6
Office equipment	18
Total depreciation	60
Amortisation	
Software	7
Total depreciation and amortisation	67
Finance costs	
Interest and finance charges paid/payable	22
Seed capital interest	38
Finance costs expensed	60
Rental expense relating to operating leases	
Minimum lease payments	620
Superannuation expense	
Defined contribution superannuation expense	241
Share-based payments expense	
Share-based payments expense	80
Employee benefits expense excluding superannuation	
Employee benefits expense excluding superannuation	3,014

Note 6. Income tax benefit

	Period from 21 May 2013 to 31 Dec 2013 $'000
Income tax benefit	
Deferred tax - origination and reversal of temporary differences	(592)
Aggregate income tax benefit	(592)
Deferred tax included in income tax benefit comprises:	
Increase in deferred tax assets (note 13)	(592)
Numerical reconciliation of income tax benefit and tax at the statutory rate	
Loss before income tax benefit	(9,448)
Tax at the statutory tax rate of 30%	(2,834)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:	
Share-based payments	35
Business acquisition costs	2,179
Sundry items	28
Income tax benefit	(592)

	Period from 21 May 2013 to 31 Dec 2013 $'000
Amounts credited directly to equity	
Deferred tax assets (note 13)	(1,764)

Note 7. Current assets - cash and cash equivalents

	31 Dec 2013 $'000
Cash at bank	3,068

Note 8. Current assets - trade and other receivables

	31 Dec 2013 $'000
Trade receivables	1,769
Less: Provision for impairment of receivables	(148)
	1,621
Goods and services tax receivable	555
	2,176

Note 8. Current assets - trade and other receivables (continued)

Impairment of receivables
The company has recognised a loss of $148,000 in profit or loss in respect of impairment of receivables for the period ended 31 December 2013. These receivables were incurred by families who have subsequently left the company's child care centre and are, therefore, not expected to be recovered.

The ageing of the impaired receivables provided for above are as follows:

	31 Dec 2013 $'000
0 to 3 months overdue	148

Movements in the provision for impairment of receivables are as follows:

	31 Dec 2013 $'000
Additional provisions recognised	148

Note 9. Current assets - other

	31 Dec 2013 $'000
Prepayments	362
Security deposits	22
Other deposits	8
	392

Note 10. Current assets - non-current assets classified as held for sale

	31 Dec 2013 $'000
Land	250

The vacant land at Ayr and Kelso is currently for sale and is expected to be sold within 6 months from the reporting date.

Note 11. Non-current assets - property, plant and equipment

	31 Dec 2013 $'000
Fixtures and fittings - at cost	2,141
Less: Accumulated depreciation	(36)
	2,105
Motor vehicles - at cost	583
Less: Accumulated depreciation	(6)
	577
Computer equipment - at cost	16
Less: Accumulated depreciation	-
	16
Other equipment - at cost	678
Less: Accumulated depreciation	(18)
	660
	3,358

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Land $'000	Fixtures and fittings $'000	Motor vehicles $'000	Computer equipment $'000	Other equipment $'000	Total $'000
Balance at 21 May 2013	-	-	-	-	-	-
Additions	-	7	56	16	-	79
Additions through business combinations (note 31)	250	2,134	527	-	678	3,589
Classified as held for sale (note 10)	(250)	-	-	-	-	(250)
Depreciation expense	-	(36)	(6)	-	(18)	(60)
Balance at 31 December 2013	-	2,105	577	16	660	3,358

Note 12. Non-current assets - intangibles

	31 Dec 2013 $'000
Goodwill - at cost	61,385
Software - at cost	744
Less: Accumulated amortisation	(7)
	737
	62,122

Note 12. Non-current assets - intangibles (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial period are set out below:

	Goodwill $'000	Software $'000	Total $'000
Balance at 21 May 2013	-	-	-
Additions	-	744	744
Additions through business combinations (note 31)	61,385	-	61,385
Amortisation expense	-	(7)	(7)
Balance at 31 December 2013	61,385	737	62,122

Goodwill is allocated to a single cash-generating unit ('CGU'), which is based on the company's operating segment.

Note 13. Non-current assets - deferred tax

	31 Dec 2013 $'000
Deferred tax asset comprises temporary differences attributable to:	
Amounts recognised in profit or loss:	
Tax losses	757
Provisions	1,092
Transaction costs	(353)
Other	196
	1,692
Amounts recognised in equity:	
Transaction costs on share issue	1,764
Deferred tax asset	3,456
Movements:	
Credited to profit or loss (note 6)	592
Credited to equity (note 6)	1,764
Additions through business combinations (note 31)	1,100
Closing balance	3,456

Note 14. Current liabilities - trade and other payables

	31 Dec 2013 $'000
Trade payables	1,791
Other payables	3,282
	5,073

Refer to note 24 for further information on financial instruments.

Note 15. Current liabilities - borrowings

	31 Dec 2013 $'000
Lease liability	19

Refer to note 18 for further information on assets pledged as security and financing arrangements.

Refer to note 24 for further information on financial instruments.

Note 16. Current liabilities - provisions

	31 Dec 2013 $'000
Annual leave	1,702
Long service leave	485
Deferred consideration	230
Repairs and maintenance	464
	2,881

Deferred consideration
The provision represents the obligation to pay deferred consideration following the acquisition of a business or assets. It is measured at the present value of the estimated liability.

Repairs and maintenance
The provision represents the present value of the estimated costs to repair and maintain the premises leased by the company as prescribed in the lease agreements.

Movements in provisions
Movements in each class of provision during the current financial period, other than employee benefits, are set out below:

31 Dec 2013	Deferred consideration $'000	Repairs and maintenance $'000
Carrying amount at the start of the period	-	-
Additions through business combinations (note 31)	230	464
Carrying amount at the end of the period	230	464

Note 17. Current liabilities - other

	31 Dec 2013 $'000
Revenue received in advance	452

Note 18. Non-current liabilities - borrowings

	31 Dec 2013 $'000
Lease liability	40

Refer to note 24 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	31 Dec 2013 $'000
Lease liability	59

Assets pledged as security
The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	31 Dec 2013 $'000
Total facilities	
Bank overdraft	7,000
Bank loans	20,000
Equipment leasing facility	1,500
Corporate credit card limit	500
Bank guarantee facility	6,000
	35,000
Used at the reporting date	
Bank overdraft	-
Bank loans	-
Equipment leasing facility	59
Corporate credit card limit	-
Bank guarantee facility	3,900
	3,959
Unused at the reporting date	
Bank overdraft	7,000
Bank loans	20,000
Equipment leasing facility	1,441
Corporate credit card limit	500
Bank guarantee facility	2,100
	31,041

Note 19. Non-current liabilities - provisions

	31 Dec 2013 $'000
Long service leave	843

Note 20. Non-current liabilities - other

	31 Dec 2013 $'000
Lease incentive liability	75

Note 21. Equity - issued capital

	31 Dec 2013	
	Shares	$'000
Ordinary shares - fully paid	89,493,305	74,295

Movements in ordinary share capital

Details	Date	No of shares	Issue price	$'000
Balance	21 May 2013	-		-
Issue of shares on incorporation *	21 May 2013	9,194,700	$0.001	1
Promoter shares	5 November 2013	556,300	$0.000	-
Share-based payments	5 November 2013	375,000	$0.210	80
Issue of shares on conversion of seed capital loans	2 December 2013	1,000,000	$0.000	38
Issue of shares on Initial Public Offer	2 December 2013	77,000,000	$0.999	76,925
Issue of shares on acquisition of Eternal Echoes Pty Ltd	2 December 2013	985,823	$1.000	986
Issue of shares on acquisition of Boyne Island	2 December 2013	381,482	$1.000	381
Share issue transaction costs (net of tax)				(4,116)
Balance	31 December 2013	89,493,305		74,295

* The original shares on issue were 1,000. The amount shown reflects the amount following the share split that occurred on 5 November 2013.

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The company's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Note 21. Equity - issued capital (continued)

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The company would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The company is actively pursuing additional investments as part of its expansion strategy.

The company is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial period.

Note 22. Equity - accumulated losses

	31 Dec 2013 $'000
Retained profits at the beginning of the financial period	-
Loss after income tax benefit for the period	(8,856)
Accumulated losses at the end of the financial period	(8,856)

Note 23. Equity - dividends

There were no dividends paid, recommended or declared during the current financial period.

Note 24. Financial instruments

Financial risk management objectives
The company's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The company's overall risk is very minimal and risk management is carried out by senior finance executives and the Board of Directors.

Market risk

Foreign currency risk
The company is not exposed to any significant foreign currency risk.

Price risk
The company is not exposed to any significant price risk.

Interest rate risk
The company's main interest rate risk arises from short-term and long-term borrowings. Borrowings issued at variable rates expose the company to interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and finance leases.

At 31 December 2013, the company had no significant borrowings as it had not drawn down on any bank loan facilities at that date.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

The company has no significant credit risk exposure.

Note 24. Financial instruments (continued)

Liquidity risk
Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	31 Dec 2013 $'000
Bank overdraft	7,000
Bank loans	20,000
Equipment leasing facility	1,441
Corporate credit card limit	500
Bank guarantee facility	2,100
	31,041

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time.

Remaining contractual maturities
The following table details the company's remaining contractual maturity for its financial instrument liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The table includes both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

31 Dec 2013	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-%	1,791	-	-	-	1,791
Other payables	-%	3,282	-	-	-	3,282
Interest-bearing - fixed rate						
Lease liability	-%	22	42	-	-	64
Total non-derivatives		5,095	42	-	-	5,137

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 25. Fair value measurement

The company has no assets or liabilities measured at fair value.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial instruments.

Note 26. Key management personnel disclosures

Directors
The following persons were directors of Affinity Education Group Limited during the financial period:

Stuart Bruce James (appointed on 6 November 2013)	Chairman, Independent Non-Executive Director
Justin Michael Laboo (appointed on 6 November 2013)	Chief Executive Officer and Managing Director
Stephanie Jane Daveson (appointed on 6 November 2013)	Independent Non-Executive Director
Jeffrey Ian Forbes (appointed on 6 November 2013)	Independent Non-Executive Director
Gabriel Anna Giufre (appointed on 21 May 2013)	Chief Operating Officer and Executive Director
Gregory James Kern (appointed on 21 May 2013 and resigned on 6 November 2013)	Former Chairman, Non-Executive Director
Russell Daly (appointed on 21 May 2013 and resigned on 11 September 2013)	Former Non-Executive Director and Former Company Secretary
Fiona Alston (appointed on 11 September 2013 and resigned on 6 November 2013)	Former Executive Director and Former Company Secretary

Other key management personnel
The following person also had the authority and responsibility for planning, directing and controlling the major activities of the company, directly or indirectly, during the financial period:

John Bairstow (appointed on 6 December 2013)	Chief Financial Officer and Company Secretary

Compensation
The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	Period from 21 May 2013 to 31 Dec 2013
	$
Short-term employee benefits	297,479
Post-employment benefits	16,770
Share-based payments	79,688
	393,937

Shareholding
The number of shares in the company held during the financial period by each director and other members of key management personnel of the company, including their personally related parties, is set out below:

31 Dec 2013	Balance at the start of the period	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the period
Ordinary shares					
S B James	-	-	2,556,300	-	2,556,300
J M Laboo	-	250,000	-	-	250,000
S J Daveson	-	-	30,000	-	30,000
J I Forbes	-	-	20,000	-	20,000
G A Giufre	-	-	3,248,755	-	3,248,755
J Bairstow	-	125,000	-	-	125,000
	-	375,000	5,855,055	-	6,230,055

Note 27. Remuneration of auditors

During the financial period the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company:

	Period from 21 May 2013 to 31 Dec 2013 $
Audit services - PricewaterhouseCoopers	
Audit or review of the financial statements	60,000
Other services - PricewaterhouseCoopers	
Due diligence services	390,417
Consulting fee - integration services	842,472
	1,232,889
	1,292,889

Note 28. Contingent liabilities

	31 Dec 2013 $'000
Bank guarantees	3,900

Note 29. Commitments

	31 Dec 2013 $'000
Lease commitments - operating	
Committed at the reporting date but not recognised as liabilities, payable:	
Within one year	8,134
One to five years	38,674
More than five years	48,011
	94,819
Lease commitments - finance	
Committed at the reporting date and recognised as liabilities, payable:	
Within one year	22
One to five years	42
Total commitment	64
Less: Future finance charges	(5)
Net commitment recognised as liabilities	59
Representing:	
Lease liability - current (note 15)	19
Lease liability - non-current (note 18)	40
	59

Note 30. Related party transactions

Parent entity
Affinity Education Group Limited is the parent entity.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Period from 21 May 2013 to 31 Dec 2013 $
Payment for goods and services:	
Payment for professional services to Kern Group Pty Ltd, a company controlled by former director Gregory Kern	862,750

Kern Group Pty Ltd
Kern Group Pty Ltd is an entity controlled by Gregory Kern, a former director of the company. Kern Group Pty Ltd acted as lead advisor to the company during the Initial Public Offer performing services including sourcing seed investors, identifying and entering into negotiations with various targets, sourcing the senior management team and Board of Directors.

The company has issued 3,762,900 ordinary shares to an entity controlled by Gregory Kern as a founder, promoter and lead advisor.

Stuart James
The SB James Superannuation Fund, an entity controlled by Stuart James, was issued 556,300 shares on 5 November 2013 as consideration for promoter services provided by Stuart James prior to him being appointed as Chairman and Independent Director.

The SB James Superannuation Fund advanced $500,000 to Affinity Education on 4 September 2013 under a seed capital agreement. Upon listing Affinity Education repaid $500,000 and issued 500,000 shares to the SB James Superannuation Fund under the terms of the seed capital agreement.

Prior to the IPO, the SB James Superannuation fund agreed to subscribe for 1,500,000 shares. In consideration for this early commitment the company allocated the shares to the SB James Superannuation Fund net of fees associated with the underwriting agreement, giving an allotment price of $0.95 per share.

Director fees of $21,041 are payable to Glan Avon Investments Pty Ltd, an entity controlled by Stuart James.

Gabriel Giufre
On 2 December 2013, the company acquired the Boyne Island child care centre for a total consideration of $1,566,482, comprised of $1,175,000 cash and 381,482 shares. The vendor of the Boyne Island child care centre was an entity controlled by Gabriel Giufre. On 2 December 2013, the company acquired the rights to manage 11 child care centres from Eternal Echoes Pty Ltd issuing 985,823 shares as consideration. Eternal Echoes Pty Limited is an entity controlled by Gabriel Giufre and a separate entity from Affinity Education Group Limited which was formerly known as Eternal Echoes Education Limited.

Stephanie Daveson
Director fees of $15,247 are payable to Eyedee Pty Ltd as trustee for the McDav Family Trust, an entity controlled by Stephanie Daveson.

Note 30. Related party transactions (continued)

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the reporting date.

Loans to/from related parties
There were no loans to or from related parties at the reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 31. Business combinations

Pre-listing acquisitions
Between 2 December 2013 and 6 December 2013, the company acquired various businesses for the total consideration transferred of $35,354,000. These are education businesses and were acquired to expand the education offering of the company. The goodwill of $34,905,000 represents the fair value of the acquisitions. The acquired businesses contributed revenues of $2,698,000 and profit before tax of $425,000. The values identified in relation to the acquisition of the businesses are provisional as at 31 December 2013.

Details of the acquisition are as follows:

	Fair value $'000
Prepayments	144
Plant and equipment	2,330
Deferred tax asset	721
Other payables	(343)
Employee benefits	(2,127)
Repairs and maintenance provision	(276)
Net assets acquired	449
Goodwill	34,905
Acquisition-date fair value of the total consideration transferred	35,354
Representing:	
Cash paid or payable to vendor	33,867
Affinity Education Group Limited shares issued to vendor	1,367
Deferred consideration	120
	35,354
Acquisition costs expensed to profit or loss	4,594

Note 31. Business combinations (continued)

Post-listing acquisitions

Between 9 December 2013 and 20 December 2013, the company acquired various businesses for the total consideration transferred of $26,657,000. These are education businesses and were acquired to expand the education offering of the company. The goodwill of $26,480,000 represents the fair value of the acquisitions. The acquired businesses contributed revenues of $979,000 and loss before tax of $30,000.The values identified in relation to the acquisition of the businesses are provisional as at 31 December 2013.

Details of the acquisition are as follows:

	Fair value $'000
Prepayments	125
Plant and equipment	1,259
Deferred tax asset	378
Other payables	(323)
Employee benefits	(1,074)
Repairs and maintenance provision	(188)
Net assets acquired	177
Goodwill	26,480
Acquisition-date fair value of the total consideration transferred	26,657
Representing:	
Cash paid or payable to vendor	26,547
Deferred consideration	110
	26,657
Acquisition costs expensed to profit or loss	2,891

Note 32. Events after the reporting period

No matter or circumstance has arisen since 31 December 2013 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Period from 21 May 2013 to 31 Dec 2013 $'000
Loss after income tax benefit for the period	(8,856)
Adjustments for:	
Depreciation and amortisation	67
Share-based payments	80
Finance costs - non-cash	38
Change in operating assets and liabilities:	
Increase in trade and other receivables	(2,176)
Increase in deferred tax assets	(592)
Increase in prepayments	(93)
Increase in other operating assets	(8)
Increase in trade and other payables	4,407
Decrease in employee benefits	(171)
Increase in other provisions	75
Increase in other operating liabilities	452
Net cash used in operating activities	(6,777)

Note 34. Earnings per share

	Period from 21 May 2013 to 31 Dec 2013 $'000
Loss after income tax attributable to the owners of Affinity Education Group Limited	(8,856)
	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	13,207,005
Weighted average number of ordinary shares used in calculating diluted earnings per share	13,207,005
	Cents
Basic earnings per share	(67.06)
Diluted earnings per share	(67.06)

Note 35. Share-based payments

Prior to listing, Justin Laboo was allotted 250,000 shares with a fair value of $53,125 and John Bairstow was allotted 125,000 shares with a fair value of $26,563. The shares were issued pursuant to the executive employment agreements. The fair value of the shares was assessed using the indirect method and reflects management's assessment of the probability of IPO success at the time the executive employment agreements were reached and marketability of shares prior to the IPO. As at the year end there were no outstanding share based payments or other share instruments for employees.

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

____
Stuart James
Chair

27 February 2014
Southport

Independent auditor's report to the members of Affinity Education Group Limited

Report on the financial report

We have audited the accompanying financial report of Affinity Education Group Limited (the company), which comprises the statement of financial position as at 31 December 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Affinity Education Group Limited is in accordance with the *Corporations Act 2001,* including:

  (i) giving a true and fair view of the company's financial position as at 31 December 2013 and of its performance for the period ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the company's financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 5 to 11 of the directors' report for the period ended 31 December 2013. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Affinity Education Group Limited for the period ended 31 December 2013 complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

D.G. Smith

Debbie Smith
Partner

Brisbane
27 February 2014

The shareholder information set out below was applicable as at 25 February 2014.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	45
1,001 to 5,000	162
5,001 to 10,000	133
10,001 to 100,000	303
100,001 and over	54
	697
Holding less than a marketable parcel	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
NATIONAL NOMINEES LIMITED	16,530,000	18.47
CITICORP NOMINEES PTY LIMITED	8,259,486	9.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	8,202,295	9.17
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	5,817,079	6.50
BNP PARIBAS NOMS PTY LTD	4,014,119	4.49
KERN GROUP (LICENSING) PTY LTD	3,762,900	4.20
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,729,689	4.17
AMP LIFE LIMITED	3,391,065	3.79
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	3,017,099	3.37
ETERNAL ECHOES PTY LTD	2,867,273	3.20
MR STUART BRUCE JAMES & MRS GILLIAN DOREEN JAMES	2,556,300	2.86
ARGO INVESTMENTS LIMITED	2,535,274	2.83
ONTAX REFINISHING PTY LTD	1,881,450	2.10
UBS NOMINEES PTY LTD	1,412,512	1.58
BRISPOT NOMINEES PTY LTD	1,376,058	1.54
R J & A INVESTMENTS PTY LTD	1,112,600	1.24
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	586,883	0.66
MYALL RESOURCES PTY LTD	500,000	0.56
BAMBINI EARLY CHILDCARE DEVELOPMENT BOYNE ISLAND PTY LTD	381,482	0.43
ALLEGRO CAPITAL NOMINEES PTY LTD	349,500	0.39
	72,283,064	80.78

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
PERPETUAL LIMITED AND SUBSIDIARIES	10,807,792	12.08
AMP LIMITED AND ITS RELATED BODIES CORPORATE	7,664,024	8.56
COMMONWEALTH BANK OF AUSTRALIA LIMITED AND ITS RELATED BODIES CORPORATE	5,726,169	6.40
BT INVESTMENT MANAGEMENT LIMITED	5,600,000	6.26
WESTPAC BANKING CORPORATION AND ITS ASSOCIATED COMPANIES	5,600,000	6.26

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.