Cherie Hearts – clarification

G8 Education Limited announced on 24 March 2011 that the nature of the arrangements with Cherie Hearts saw G8 Education advance funds to Cherie Hearts Group International Pte Ltd and exercise its rights under those arrangements. KordaMenthaNeo was appointed as receiver to the vendor of the Cherie Hearts business on 23 March 2011. Prior to this appointment, G8 Education exercised its rights to transfer the shares in companies which owned 13 child care centres.

Cherie Hearts Group International Pte Ltd is not directly involved in operating the Cherie Hearts child care centres and primarily acts as a holding company. As the appointment is at holding company level, it is business as usual at the centres and the appointment will not affect child care operations.

The total outlay in Singapore is approximately AUD$16 million* with the value of the franchisee acquisition having been offset against this amount in December 2010. The balance was secured by way of a corporate charge and the right to transfer shares in 12 subsidiaries which together owned 13 child care centres. These shares have been transferred to G8 Education, delivering additional value. Separate to the Cherie Hearts centres, G8 Education has through contracts directly with third parties, the rights to operate an additional 5 centres, giving 18 corporate centres in total.

Whilst there is an outstanding debt of approximately AUD$4 million*, the value proposition from G8 Education’s perspective is satisfactory.

G8 Education remains confident that its guidance for Singapore for 2011 remains achievable.

* Assuming an exchange rate of $1.28 for each Australian dollar.

ENDS

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