

ASX Announcement

G8 Education Limited
(ASX:GEM)



3 July 2015

G8 Education to make a takeover offer of 1 G8 Education Share per 4.61 Affinity Education Shares at a 29.6% premium*

G8 Education Limited (**G8 Education**) (ASX:GEM) proposes to make a takeover bid for all of the ordinary shares in Affinity Education Group Limited (**Affinity Education**) (ASX:AFJ) which G8 Education does not already own. G8 Education proposes to offer 1 fully paid ordinary share in G8 Education (**G8 Education Share**) for every 4.61 fully paid ordinary shares in Affinity Education (**Affinity Education Shares**) (**Offer**) valuing Affinity Education at \$162 million (or \$0.70 per Affinity Education Share), based on the closing price of G8 Education on the day immediately preceding this announcement. This represents an attractive premium of:

- 29.6% to Affinity Education's closing share price of \$0.54 on 2 July 2015, the last day of trading prior to the announcement of G8 Education's intention to make a takeover bid for Affinity Education; and
- 9.4% premium to the 10 day volume weighted average price of Affinity Education of \$0.64 on 10 trading days prior to the announcement of G8 Education's intention to make a takeover bid for Affinity Education.**

On 2 July 2015, G8 Education acquired 38,001,946 fully paid ordinary shares in Affinity Education, representing approximately 16.41% of Affinity Education's ordinary shares on issue. G8 Education's offer is subject to certain defeating conditions set out in the annexure to this announcement, including acquiring a minimum 50% shareholding and the necessary authorisations and clearances being obtained from the Australian Competition and Consumer Commission and Australian Competition Tribunal.

G8 Education's Chairperson Jenny Hutson said "the Offer represents compelling value to Affinity Education shareholders".

Offer details

G8 Education proposes to offer 1 G8 Education Share for each 4.61 Affinity Education Shares with fractional entitlements to be rounded up or down to the nearest whole number (with fractional entitlements to 0.5 of a G8 Education Share being rounded up). The Offer is for those Affinity Education Shares currently on issue, and those that come to be issued as a result of the vesting of performance rights on issue. The Offer is subject to certain defeating conditions set out in the annexure to this announcement. More information on G8 Education is available from G8 Education's website (<http://g8education.edu.au/>).

The G8 Education bidder's statement is expected to be lodged with the Australian Securities and Investments Commission within the next 21 days. The Offer will remain open for a minimum period of 1 month (unless withdrawn during that period under section 652B of the Corporations Act).

* Based on the closing price of G8 Education and Affinity Education on the last day of trading prior to the announcement of G8 Education's intention to make a takeover bid for Affinity Education.

** The volume weighted average price excludes the 38,001,946 fully paid ordinary shares acquired by G8 Education in Affinity Education on 2 July 2015.

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G8 Education reserves the right to amend the terms of the Offer in a way which is not substantially less favourable to Affinity Education Shareholders, subject to the Corporations Act 2001 (Cth) and related policy and practice.

The Offer is not being made, and is not capable of acceptance, in any other jurisdiction where to do so would constitute a violation of the laws of such jurisdiction. G8 Education will determine the jurisdictions outside Australia and New Zealand in which Affinity Education shareholders can receive G8 Education Shares as consideration. In any other jurisdiction, G8 Education Shares will be sold to a nominee and the proceeds of sale (less any fees) will be remitted to those shareholders.

ENDS

Chris Scott

Managing Director

ANNEXURE

DEFEATING CONDITIONS

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

1 **(Minimum acceptance)** Before the end of the Offer Period, G8 Education has a Relevant Interest in more than 50% (by number) of Affinity Shares.

2 **(Regulatory Approvals, including ACCC)** Before the end of the Offer Period, the Regulatory Approvals:

- (a) are granted, given, made or obtained unconditionally, or on the basis of conditions that impose only non-material requirements incidental to the approval or consent;
- (b) remain in full force and effect; and
- (c) do not become subject to any notice, indication or intention to revoke, suspend, restrict, modify or renew them,

including any necessary clearances and authorisations, on conditions acceptable to G8 Education, from the Australian Consumer and Competition Commission and the Australian Competition Tribunal.

3 **(No regulatory action)** Before the end of the Offer Period:

- (a) no preliminary or final decision, order or direction is made or issued by any Regulatory Authority;
- (b) no action, proceeding or investigation is announced, commenced or threatened by any Regulatory Authority; and
- (c) no application is made to any Regulatory Authority (other than by G8 Education or any Associate of G8 Education),

which is likely to or purports or threatens to restrain, prohibit, impede or otherwise adversely affect the making of the Offer, the acquisition of the Affinity Shares by G8 Education, the rights of G8 Education in respect of Affinity and the Affinity Shares or the continued operations of Affinity or its Subsidiaries (other than any action or decision by or application to ASIC or the Takeovers Panel in exercise of the powers or discretions conferred by the Corporations Act).

4 **(No Prescribed Occurrences)** Before the end of the Offer Period, there is no occurrence of a Prescribed Occurrence.

5 **(No Material Adverse Change)** Before the end of the Offer Period, there is no occurrence of a Material Adverse Change.

Definitions:

Affinity	means Affinity Education Group Limited ACN 163 864 195.
Affinity Board	means the board of directors of Affinity.
Affinity Group	means Affinity and each of its Subsidiaries.
Affinity Share	means a fully paid ordinary share in Affinity.
Affinity Shareholder	means a registered holder of Affinity Shares.
Announcement Date	means the date on which the Offer is announced.
ASIC	means the Australian Securities and Investments Commission.
Associate	has the meaning given to that term by section 12 Corporations Act as if section 12(1) Corporations Act included an associate reference occurring in this document.
ASX	means ASX Limited ACN 008 624 691 or the securities exchange operated by it (as the case requires).
Bid	means the offer made by G8 Education to the Affinity Shareholders under Chapter 6 Corporations Act.
Consideration	means 1 G8 Education Share to each 4.61 Affinity Shares.
Consolidated Group	has the same meaning as in the <i>Income Tax Assessment Act 1997</i> (Cth).
Corporations Act	means <i>Corporations Act 2001</i> (Cth).
Encumbrance	means: <ul style="list-style-type: none"> (a) any interest, right or power that in substance secures payment or performance of any obligation, for example a mortgage, charge or security interest under the <i>Personal Property Securities Act 2009</i> (Cth); (b) any preferential or adverse interest of any kind; (c) a right to buy or use assets, for example a hire purchase agreement, option, licence, lease or agreement to purchase; (d) a right to set-off or right to withhold payment of a deposit or other money; (e) an easement, restrictive covenant, caveat or similar restriction over property; (f) an agreement to create any of the items referred to in paragraphs (a) to (e) above or to allow any of those items to exist; or



G8 Education^{ltd}

- (g) a notice under section 255 Tax Act (1936), subdivision 260-A in schedule 1 *Taxation Administration Act 1953* (Cth) or any similar legislation.

Financial Indebtedness

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

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

G8 Education

means G8 Education Limited ACN 123 828 553.

Government Agency

means:

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

Insolvency Event

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

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

Listing Rules

means the Listing Rules of ASX and any other rules of ASX which are applicable while the company is admitted to the Official List



G8 Education^{ltd}

of ASX, each as amended or replaced from time to time, except to the extent of any express written waiver by ASX.

Material Adverse Change

means:

- (a) any matter, event or circumstance which happens, is announced or becomes known to G8 Education after the date of this document which (individually or when aggregated with all those matters, events or circumstances) has resulted in or is likely to result in either:
 - (i) the value of consolidated net assets of the Affinity Group being reduced by at least \$500,000 against what they would have been but for the matters, events or circumstances; or
 - (ii) the ongoing consolidated annual net profit after tax, in any financial year after the one ending 2016, of the Affinity Group being reduced by at least \$500,000 against what it would have been but for the matters, events or circumstances;
- (b) G8 Education becomes aware, prior to the end of the Offer Period, that Affinity has breached its continuous disclosure obligations under the Listing Rules and, had a reasonable third party in similar circumstances to G8 Education known of the information giving rise to such breach prior to the Announcement Date, it would have resulted in that reasonable G8 Education offering less Consideration under the Bid,

but does not include:

- (c) any matter, event or circumstance arising from changes in economic or business conditions (including changes in currency exchange rates) which impact on Affinity and its competitors in a similar manner;
- (d) any change in taxation rates or taxation laws which impact on Affinity and its competitors in a similar manner;
- (e) any change in accounting policy required by law; or
- (f) any change occurring directly or indirectly as a result of any matter, event or circumstance required by this document, the Bid or the transactions contemplated by them.

Offer

means each offer to acquire Affinity Shares of a Affinity Shareholder (other than G8 Education) for the Consideration.

Offer Period

means the period that the Offer is open for acceptance.

Prescribed Occurrence

means:

- (a) **(conversion)** Affinity converts all or any of its shares into a larger or smaller number of shares;
- (b) **(reduction of share capital)** Affinity resolves to reduce its share capital in any way;
- (c) **(buy-back)** Affinity:
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under the Corporations Act;
- (d) **(distribution)** Affinity makes or declares, or announces an intention to make or declare, any distribution (whether by dividend, capital reduction or otherwise and whether in cash or in specie);
- (e) **(issuing shares or options)** a member of Affinity Group:
 - (i) issues shares;
 - (ii) grants an option over its shares; or
 - (iii) agrees to make an issue of shares or grant an option over its shares,
 in each case to a person outside Affinity Group;
- (f) **(securities or other instruments)** a member of the Affinity Group:
 - (i) issues securities or other instruments convertible into shares or debt securities; or
 - (ii) agrees to issue securities or other instruments convertible into shares or debt securities,
 in each case to a person outside the Affinity Group;
- (g) **(constitution)** a member of the Affinity Group adopts a new constitution or modifies or repeals its constitution or a provision of it;
- (h) **(disposals)** a member of the Affinity Group disposes, or agrees to dispose of, the whole or a substantial part of its business or property;
- (i) **(acquisitions, disposals or tenders)** a member of the Affinity Group:
 - (i) acquires or disposes of;
 - (ii) agrees to acquire or dispose of; or
 - (iii) offers, proposes, announces a bid or tenders for, any business, asset, interest in a joint venture, entity or undertaking, the value of which exceeds \$500,000;
- (j) **(Encumbrances)** a member of the Affinity Group creates any Encumbrance over the whole or a substantial part of its business or property (other than in



G8 Education^{ltd}

the ordinary course of business and other than a lien which arises by operation of law or legislation securing an obligation not yet due and consistent with past practice);

- (k) **(board)** any person is appointed to the Affinity Board, other than those nominated by G8 Education;
- (l) **(employment arrangements)** a member of the Affinity Group:
 - (i) materially increases the remuneration of, or otherwise varies the employment arrangements with, any of its directors; or
 - (ii) accelerates the rights of any of its directors to compensation or benefits of any kind, other than in the ordinary course of business or as a result of contracted arrangements that are consistent with past practice and in effect at the date of this document;
- (m) **(termination or retention payment)** a member of the Affinity Group pays any of its directors or employees a termination or retention payment (otherwise than as required by an existing contract which, at the date of this document, is in place and has been disclosed to G8 Education);
- (n) **(commitments and settlements)** a member of the Affinity Group:
 - (i) enters into any contract or commitment involving revenue or expenditure by the Affinity Group of more than \$500,000 over the term of the contract or commitment;
 - (ii) terminates or amends in a material manner any contract material to the conduct of the Affinity Group's business or which involves revenue or expenditure of more than \$500,000 over the term of the contract;
 - (iii) waives any material third party default where the financial impact on the Affinity Group will be in excess of \$500,000; or
 - (iv) accepts as a settlement or compromise of a material matter (relating to an amount in excess of \$500,000) less than the full compensation due to the Affinity or a Subsidiary of Affinity;
- (o) **(financial arrangements)** a member of the Affinity Group amends (or agrees to amend) in any material respect any arrangement with its financial advisers in



G8 Education^{ltd}

respect of the transactions contemplated by this document;

- (p) **(capital expenditure)** a member of the Affinity Group undertakes or agrees to undertake capital expenditure in excess of \$1,000,000 in aggregate;
- (q) **(insolvency)** an Insolvency Event occurs in respect of any member of the Affinity Group;
- (r) **(financial indebtedness)** a member of the Affinity Group provides financial accommodation (irrespective of what form of Financial Indebtedness that accommodation takes) in excess of \$500,000;
- (s) **(breach of law)** a member of the Affinity Group takes or omits to take action which results in a breach of law material to a member of the Affinity Group;
- (t) **(accounting policy)** a member of the Affinity Group changes any accounting policy applied by them to report their financial position;
- (u) **(related party)** a member of the Affinity Group enters into or resolves to enter into a transaction with any related party of the Affinity as defined in section 228 Corporations Act; or
- (v) **(tax liability)** the Affinity or any other member of the Affinity Group does anything that results in a taxable gain for the Affinity Group by either causing a Subsidiary to cease being a member of the Affinity Group or causing the Affinity Group to cease being a Consolidated Group,

but a Prescribed Occurrence does not include:

- (w) an issue of Affinity Shares on exercise of an option that had been granted on or before the date of this document;
- (x) any matter required to be done or brought about by Affinity under this document or which is contemplated by the Bid; or
- (y) any other matter, the undertaking of which G8 Education has approved in writing.

Regulatory Approvals

means all approvals or consents that are required by law, regulation or regulatory policy, as are necessary to permit:

- (a) the Offer to be lawfully made to and accepted by Affinity Shareholders; and
- (b) the acquisition of the Affinity Shares by G8 Education.

Regulatory Authority

includes:

- (a) ASX, ASIC, the Foreign Investment Review Board and the

Australian Taxation Office;

- (b) a Government Agency;
- (c) a minister, department, office, commission, delegate, instrumentality, agency, board, authority or organisation of any government; and
- (d) any regulatory organisation established under statute.

Relevant Interest

has the meaning given to that term by section 9 Corporations Act.

Subsidiaries

has the meaning given to that term by section 9 Corporations Act.