



AFFINITY EDUCATION
G R O U P

ABN 37 163 864 195

19 October 2015

AFFINITY EDUCATION GROUP LIMITED – TAKEOVERS PANEL ORDERS

Background

On 26 August 2015, Affinity brought an application to the Takeovers Panel for a declaration of unacceptable circumstances in connection with the acquisition of Affinity Shares by Taxonomy Pty Ltd (**Taxonomy**), JB Super Fund Pty Ltd (**JB Super**) and West Bridge Holdings Pty Ltd (**West Bridge**).

Declaration of unacceptable circumstances

On 5 October 2015, the Takeovers Panel made a declaration of unacceptable circumstances in relation to the application brought by Affinity. As noted in the Takeovers Panel's media release:

"The Panel has made a declaration of unacceptable circumstances ... in relation to an application dated 26 August 2015 by Affinity Education Group Limited (ASX code: AFJ) in relation to its affairs (see TP15/42).

Background

On 3 July 2015, G8 Education Limited, an ASX listed company (ASX Code: GEM) that held 19.89% of Affinity shares, announced its intention to make an off-market scrip takeover bid for all the shares in Affinity (implied value of \$0.703). On 3 August 2015, the scrip bid consideration was increased (implied value of \$0.80) and a separate on-market cash offer for Affinity was announced at \$0.80 per Affinity share. The scrip bid opened on 21 August 2015 and the on-market bid opened on 26 August 2015.

On 6 July 2015, JB Super Fund Pty Ltd acquired 97,500 Affinity shares (0.04%).

On 9 and 10 July 2015, Taxonomy Pty Ltd acquired in total 10,500,000 Affinity shares (4.54%).

Between 13 July and 28 July 2015, West Bridge Holdings Pty Ltd acquired 11,300,000 Affinity shares (4.88%).

By 24 August 2015, each of JB Super and Taxonomy had accepted its shares into the scrip bid.

Declaration

The Panel made a declaration of unacceptable circumstances because (among other things):

- there are family links between Ms Jennifer Hutson, the chairperson of G8, and the owner of JB Super*
- there are, or have been, structural links, common investments and common dealings between Ms Jennifer Hutson and each of the parties identified above*
- there were unusual funding arrangements and unusual use of common intermediaries and*
- the acceptances of the scrip bid by JB Super and Taxonomy occurred in uncommercial circumstances.*

The relevant interests, and associations, led to the market not being efficient, competitive and informed, to information deficiencies and to contraventions of provisions of chapters 6 and 6C of the Corporations Act 2001 (Cth).

The Panel did not consider it against the public interest to make the declaration, and in making it had regard to the matters in s657A(3)."

Takeovers Panel Orders

On 15 October 2015, the Takeovers Panel made orders (a full copy of the Panel Orders is available on www.asx.com.au) to the following effect:

1. Sale Order

G8 must dispose of 10,366,114 ordinary shares in Affinity, representing the shares held by G8 as a result of the acceptance into the scrip bid by Taxonomy in excess of 20% (**Associate Shares**) within 21 days of the date of the Panel Orders.

ASIC must not have an objection to the investment bank or stock broker who is appointed by G8 to sell the Associate Shares and G8 must keep ASIC informed of the instructions and any change of instructions provided to the appointed seller. ASIC may also request information in relation to the Sale Order and G8 must provide any information ASIC requests in connection with the Sale Order as soon as reasonably practicable.

None of G8, Ms Jennifer Hutson or any of their associates may acquire any of the Associate Shares.

Further detail in relation to the Sale Order is set out in paragraph one of the Panel Orders.

2. Withdrawal Order

Any Affinity shareholder who accepted the scrip bid other than Taxonomy and JB Super (**Accepting Shareholders**) will be given a withdrawal right at their election to void the contract of purchase of Affinity Shares by G8 entered into with the Accepting Shareholder pursuant to the scrip bid. No later than the end of the business day after the Panel Orders, G8 must send a notice to each of the Accepting Shareholders advising them of their right to avoid the contract and setting out the steps to make that election.

Accepting Shareholders who elect to avoid the contract must return to G8 a completed election form and any required transfer forms to exercise that right before 7pm on the date that is 21 days after the date of dispatch of the election form by G8.

Further detail in relation to the Withdrawal Order is set out in paragraph two of the Panel Orders.

3. Disclosure Order

G8 must as soon as practicable, and in any event within two business days after the date of the Panel Orders, provide a draft of corrective disclosure for release on ASX to the Panel. G8 must make the corrective disclosure, in a form approved by the Panel, setting out:

- a summary of the Panel's declaration of unacceptable circumstances and orders;
- that the disclosure corrects the substantial holding notice released by G8 on 30 July 2015 and subsequent notices in the 4 months preceding the date of the scrip bid, for each of Taxonomy, West Bridge and JB Super;

- G8's voting power in Affinity; and
- the number of securities in the bid class that G8 had a relevant interest in immediately before the first offer was sent.

Further detail in relation to the Disclosure Order is set out in paragraph three of the Panel Orders.

Voting at the Scheme Meeting

Each person who is an Affinity Shareholder as at 7:00pm (Melbourne time) on Wednesday, 18 November 2015 is entitled to vote at the Scheme Meeting (**Voting Record Date**). As noted in Affinity's ASX announcement of 14 October 2015 in relation to the Scheme, Affinity's directors unanimously recommend that Affinity shareholders vote in favour of the resolution to approve the Scheme, in the absence of a superior proposal.

G8 is required to dispose of the Associate Shares within 21 days of the Panel Orders. Any change in the number of Affinity Shares held by G8 as a result of the Sale Order will occur prior to the Voting Record Date and any on-market purchaser of the Associate Shares will be eligible to vote those shares at the Scheme Meeting.

The election available to Accepting Shareholders under the Withdrawal Order must be exercised before 7pm on the date that is 21 days after the date of dispatch of the election form by G8. G8 must dispatch the election forms no later than the end of the business day after the Panel Orders. G8 must promptly take all reasonable steps necessary to give effect to the exercise of a right to withdraw by an Accepting Shareholder. Accordingly, it is expected that any Accepting Shareholder who elects to withdraw their acceptance will have their acceptance cancelled prior to the Voting Record Date and will be entitled to vote their Affinity shares at the Scheme Meeting.

G8 Voting Deed and G8's intention

As noted in Affinity's announcement to ASX in relation to the Scheme and the Scheme Implementation Deed on 15 September 2015, G8 has entered into a voting deed with Affinity (**G8 Voting Deed**), under which G8 has agreed to irrevocably appoint, for no consideration, the chair of Affinity as G8's proxy to vote 33,560,488 Affinity Shares held by G8 (representing approximately 14.5% of the total issued Affinity Shares as at the date of the G8 Voting Deed) in favour of the Scheme Resolution at the Scheme Meeting. The proxy may only be revoked if:

- the Scheme Meeting is not held before 14 January 2016;
- the Independent Directors withdraw their recommendation that Affinity Shareholders vote in favour of the Scheme Resolution at the Scheme Meeting in the absence of a Superior Proposal; or
- a Superior Proposal is announced, which is recommended by the Independent Directors,

(**Prescribed Events**).

The full text of the G8 Voting Deed was attached to the substantial holding notice issued by Affinity on 15 September 2015, which is available from ASX's website (www.asx.com.au) and Affinity's website (www.affinityeducation.com.au).

G8 has also announced that it will vote all other Affinity Shares it holds at the time of the Scheme Meeting in favour of the Scheme Resolution, subject to none of the Prescribed Events (as defined above) occurring before the Scheme Meeting. G8 will be required to lodge a further substantial holding notice with the ASX following completion of the Sale Order and Withdrawal Order which will disclose its shareholding in Affinity at that time.

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About Affinity Education Group Limited

Affinity Education Group Limited has been established to be a leading provider in the Australian market of high quality education and care to children aged six weeks to 12 years. Provision of these services includes long day care, before and after school care and occasional care.