



Early Learning Services Limited  
ACN 123 828 553  
Committed to Child Care

# ASX Announcement

18 December 2009

## **ELY proposes to merge with Payce Childcare Pty Limited**

Listed child care operator Early Learning Services Limited (ASX: ELY) has today announced a proposal to merge with Payce Childcare Pty Limited, a privately owned child care provider and educator. The transaction will create a diversified group with over 5000 child care positions across 98 centres. The merger will be conducted by way of an offer for all of the shares on issue in Payce Childcare Pty Limited.

The merger proposal has the support of Early Learning Services Limited's board, who intend to recommend the offer to its shareholders subject to it enjoying the support of the Independent Expert. The Board of Early Learning Services Limited deemed that director Gregory Kern had a material personal interest and he was excluded from deliberations on this matter.

### **Transaction Summary**

Early Learning Services Limited to offer Payce Childcare Pty Limited shareholders \$6 million in cash and issue 40 million ordinary shares in Early Learning Services Limited at an implied price of \$0.25 per share. This values Payce Childcare Pty Limited at \$16 million.

The offer is subject to the approval of Early Learning Services Limited shareholders to the terms of the merger proposal and to the approval of Early Learning Services Limited's current financier;

If for any reason Early Learning Services Limited has not arranged sufficient finance to enable it to make the payment of \$6 million in cash by 10 Business Days prior to the scheduled completion date of the independent experts report, then it will be obliged on Completion to issue in substitution for each \$1 which is unfunded, shares in Early Learning Services Limited to Payce Childcare Pty Limited shareholders at a price which represents the volume weighted average price of Early Learning Services Limited shares on ASX over the 14 trading days ending 14 January 2010 or at 25 cents per share, whichever is the lower.

Payce Childcare Pty Limited currently operates 60 Childcare Centres.

The Payce Childcare Pty Limited business operates from a range of locations with a strong presence in South-East Queensland. The business is well established having profitably been operating for over 4 years. Payce Childcare Pty Limited is currently debt free.

The Payce Childcare staff and management team will be an important part of the merged group.

The notice of meeting of shareholders is expected to be despatched to shareholders in February 2010 and is to include an independent expert's report on the proposal; and

The merger will result in the expansion of Early Learning Services Limited a leading child care provider and educator.

Appointment of three new board members, Jenny Hutson, Chris Scott and Brian Boyd. Chris Scott will be Managing Director of Early Learning Services Limited post merger and Chris Sacre will resume the role of Chief Financial Officer.



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## Overview

Early Learning Services Limited CEO, Chris Sacre, said the merger of Early Learning Services Limited with Payce Childcare Pty Limited would give shareholders of both companies the opportunity to share in the growth potential of the merged business to create value.

Chris Sacre said, "Combining Early Learning Services Limited with Payce Childcare Pty Limited's existing businesses, means the merged group has tremendous potential. The accumulated experience from the combined businesses will benefit shareholders and other stakeholders".

Payce Childcare Pty Limited chairperson said "Combining Early Learning Services Limited's and Payce Childcare Pty Limited's businesses will allow an acceleration of the growth of both companies. Our shareholders will share in the benefits of industry growth. Payce Childcare Pty Limited has positioned itself as a significant player in the child care industry in Australia. Together, with Early Learning Services Limited, we plan to cement that position for the long term. Payce Childcare Pty Limited's board has carefully considered all the options for future growth and strongly believes Early Learning Services Limited's offer presents the best opportunity for continued growth and success".

Early Learning Services Limited expects to despatch general meeting material to Early Learning Services Limited shareholders in February 2010.

## Strategic Benefits

Chris Sacre said that the merger would create a new business with increased scale and more diverse revenue streams leading to a more competitive industry status.

Early Learning Services Limited after the merger will manage in excess of 5000 child care positions. "Together the group will be a very significant provider of child care services" Chris Sacre said.

Early Learning Services Limited has a market capitalisation of \$4.4 million at \$0.11 per share being the closing price on Thursday, 17 December 2009. The implied price of the shares to be issued to Payce Childcare Pty Limited shareholders represents a significant premium to Early Learning Services Limited's recent price and weighted average trading price over the last year.

## Merged Board

It is expected that Anthony Hartnell and Greg Kern will resign as directors of Early Learning Services Limited upon the successful completion of the transaction. Jenny Hutson, Chris Scott and Brian Boyd will be invited to join Early Learning Services Limited's Board following the successful completion of the transaction.

Each of the proposed new directors has outstanding and very successful backgrounds in business.

Chris Sacre said "With our collective skills and energy all stakeholders will benefit. I am looking forward to Jenny, Chris and Brian joining Early Learning Services Limited's board at successful completion of the merger. Andrea Staines will remain on the board. Together we will take Early Learning Services Limited into a new growth phase."

ENDS

Garry Edwards  
Company Secretary