

3 May 2017

Australian Securities Exchange Limited Via e-lodgement
ASX Code ICT

ICOLLEGE TO ACQUIRE THE UK'S LARGEST CHILD CARE TRAINING AND SAAS PROVIDER

Key points:

- iCollege to acquire UK based Lara Group plc, the UK's largest dedicated childcare vocational training and SaaS provider;
- Lara Group achieved 2016 revenue of A\$6.5 mil and EBITDA of A\$1.9 mil¹;
- With close to two decades' experience in the industry, Lara Group currently services 5,000 clients across the UK;
- Lara Group's CEO, Allan Presland, to join ICT's Board of Directors as Executive Director;
- All scrip deal, a testament to commitment to ICT's growth strategy.

iCollege Ltd ("ICT" or "the Company") (ASX: ICT) has signed a binding term sheet ("**Term Sheet**") with Lara Group plc ("Lara Group") in relation to the proposed acquisition by the Company ("**Proposed Acquisition**") of 100% of the issued capital in the Lara Group, the largest support services company to the early years sector in the UK.

The Company can confirm that the current core activities and programs offered by iCollege remain operational and unaffected by the proposed acquisition.

iCollege Executive Chairman, Ross Cotton commented: "This is an exciting opportunity for the Company to move forward with a proven business model that is both profitable and growth orientated, led by a talented management team."

¹ Based on 31/12/2016 provisional yearly audited accounts.

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Overview of Lara Group

Through its wholly-owned subsidiary, Parenta Group Limited ("**Parenta**"), Lara Group is the United Kingdom's largest supplier of services to the early years sector (i.e. ages 0 to 6), working with around 5,000 clients in the United Kingdom and providing a wide range of early years training courses, consisting of online courses, childcare apprenticeships and diplomas in management and business administration. Lara Group was established in 2000 and has since grown to revenue of AUD\$6.5M in Financial Year ending 31 December 2016 and generating an underlying EBITDA of AUD\$1.9 M during that same period.

Lara Group is the largest dedicated training provider to the early years sector in the UK, providing vocational training to over 2,000 early years students, ranging from age 16 and older. In the last 10 years, Lara Group has trained in excess of 20,000 students and has a reputation for delivering high learner completion rates.

In addition, Lara Group provides specialist sector specific Software-as-a-Service ("**SaaS**") childcare management and child development tracking software to childcare businesses and progress monitoring smartphone applications to parents. Lara Group is also the UK's largest independent collector of nursery fees and the largest provider of marketing services to the early years sector.

Chairman of Lara Group, Mr Allan Presland, is the founder and CEO of Parenta. Allan is also the CEO of Amplify Investments, a boutique investment house focusing on supporting small businesses. Allan is also the founder of the Parenta Trust, which provides nursery education to circa 800 orphan and disadvantaged children in Uganda. Under the terms of the Proposed Transaction, and subject to the acquisition being approved by shareholders, Mr Allan Presland will be appointed to iCollege's Board of Directors.

Key Material Terms of the Proposed Acquisition

A summary of the key terms of the Proposed Acquisition is set out below.

- **Purchase price:** The aggregate consideration for the purchase of the Lara Shares is an amount equal to 5 x the audited EBITDA of Lara for the FY2016 ending 31 December 2016 (**Consideration**). The Consideration will be satisfied by the issue of fully paid ordinary shares in the Company at an issue price of \$0.04 per share (**Consideration Shares**).

The Base Consideration Shares will be issued at completion and shall be subject to the deduction of any related party loans from the Consideration and an agreed amount of net assets being retained in the Lara Group.

- **Conditions Precedent:** The completion of the Proposed Acquisition is subject to various conditions precedent to be satisfied or waived by 30 June 2017 or other date as agreed between the parties, and will include as a minimum the following:

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- completion of due diligence investigations into the Lara Group to the satisfaction of the Company;
 - the execution of a binding sale and purchase agreement;
 - the Company and key management of Lara Group entering into executive services agreement on terms substantially similar to each such executive's current employment with Lara Group;
 - the parties entering into a lock-in agreement for the Consideration Shares for a period of 12 months from the date of issue; and
 - the Company obtaining all regulatory and shareholder approval under Corporations Act and under the ASX Listing Rules in connection with the acquisition of Lara.
- **Completion:** Completion will occur within 5 business days of the satisfaction (or waiver) of the Conditions Precedent.

Earn-Out Agreement

Concurrent with the Term Sheet entered into with Lara Group, the Company has entered into an Earn-Out agreement, whereby, if the audited EBITDA of Lara Group for the FY2017 ending 31 December 2017 is equal to or greater than the audited EBITDA of Lara Group for FY2016 ending 31 December 2016 (**Reference EBITDA**), the Company shall issue to the vendors of Lara Group additional shares in the Company at an issue price of \$0.04 per share (**Earn-Out Shares**).

The number of Earn-Out Shares to be issued will be equal to 2.9 x the Reference EBITDA based on the following calculation:

$$\text{Number of Earn-Out Shares} = \frac{(\text{Reference EBITDA}^1 \times 2.9)}{0.04}$$

The issue of the Earn-Out shares will be conditional on:

- the Company completing the acquisition of Lara Group on terms substantially the same or similar to the Term Sheet; and
- the Company obtaining all necessary shareholder and regulatory approvals in respect of the issue of Earn-Out Shares.

¹ Based on the provisional yearly audited accounts of an EBITDA of \$1.9M.

Pro-Forma Capital Structure incorporating all Lara share issues	
Ordinary Shares on Issue ¹	182,972,082
Base Consideration Shares on Acquisition of Lara ²	241,427,625
Earn Out Shares	144,543,396
Total Ordinary Shares	568,943,103

¹ Based on last announced Appendix 3B as at 2 May 2017

² Based on the provisional yearly audited accounts of an EBITDA of \$1.9M

Shareholder Approval

The Company will seek approval from its shareholders at a general meeting in respect of the Proposed Acquisition and its associated transactions. A notice of meeting is currently being prepared by the Company and will be despatched to shareholders in due course.

The ASX has confirmed that shareholder approval under ASX Listing Rule 11.1.2 is not required. Accordingly, the Company is not required to re-comply with Chapters 1 and 2 of the ASX Listing Rules in respect of the Proposed Acquisition.

Resignation of CEO, transition of Diploma of Sports Development program

On 5 April 2017, iCollege Limited announced the termination of the term sheet with RV Sport Pty Limited to acquire Friendship Games Pty Ltd. Various conditions precedent set out in the term sheet had not been satisfied by the due date of 1 April 2017.

The Company now wishes to advise that Mr. Andrew Vlahov has resigned his position as Chief Executive Officer of iCollege Limited, by mutual consent, effective immediately.

Subject to the acquisition of Lara Group being approved by shareholders, the company will appoint Mr Allan Presland as Group CEO.

The board wishes to thank Mr Vlahov for his service to the Company and wish him well with his future endeavours.

In addition, the Company wishes to advise that due to changes in Federal funding regulations it has decided to transition all students involved in the delivery of the Diploma of Sports Development program to ICT's delivery partner BCA National Training.

- Ends -

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