



ASX ANNOUNCEMENT

30 MARCH, 2007

## destra Corporation to acquire Magna Pacific Holdings via Scheme of Arrangement

destra Corporation Limited (**destra**) (ASX:DES) and Magna Pacific Holdings (**Magna**) (ASX:MPH) today announced their intention to implement a scheme of arrangement (**Scheme**) under which destra will acquire all of the issued capital in Magna. Destra will grow with this transaction to become the largest non-studio film, video and music content company in Australia and New Zealand.

Destra is Australia's leading independent digital media company. Its core focus is to acquire content (Intellectual Property), build online Communities and monetise through the sale of content and advertising across internet, subscription TV and in-flight media.

Magna Pacific is the leading independent film and DVD distributor in Australia and New Zealand, with over 1700 titles on DVD. Magna Pacific also owns the full rights to distribute ten feature films for theatrical release in Australia including *Becoming Jane* (Anne Hathaway) – Joint Venture with the Becker Group, *Because I Said So* (Diane Keaton, Mandy Moore), and *August Rush* (Robin Williams & Freddie Highmore).

### Proposed Consideration

Under the Scheme, destra will acquire all of the issued ordinary shares in Magna for a consideration per share of:

- a) \$0.38 cash (**Cash Consideration**); or
- b) 1 fully paid destra ordinary share and \$0.15 cash (equivalent to \$0.41 based on destra's last closing price),  
at the election of each Magna shareholder.

The Cash Consideration values Magna at a:

- a) 18.8% premium to Magna's last closing price of \$0.32
- b) 18.8% premium to the Lionsgate Australia bid of \$0.32
- c) 58.3% premium to Magna's share price one week prior to the Lionsgate offer being announced

The agreement is subject to certain pre-conditions (described below) that must be satisfied before the Scheme is implemented.

### Director's recommendation

The Directors of Magna unanimously recommend that Magna shareholders vote in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding that the proposal is in the best interests of Magna shareholders. Subject to those same qualifications, all Magna's Directors intend to vote all of their shares in favour of the Scheme.



The Board of Magna will appoint an Independent Expert to consider the merger proposal.

The Magna Board also reiterate that it has recommended that Magna shareholders **reject** the current offer by Lionsgate Australia of \$0.32 per share.

## **Strategic Benefits**

The agreement provides for destra and Magna to grow through the combined strengths of each other's operations.

"Destra's digital music and entertainment content assets are complemented by Magna's film and DVD distribution rights. Magna's vast DVD and theatrical library can be leveraged through destra's existing online and subscription TV distribution network. In addition, Magna can tap into destra's online platforms allowing for its content to be distributed via the internet" commented destra CEO, Domenic Carosa.

"It's a significant opportunity and we will benefit from the incremental earnings, cash flow and scale that Magna will provide, enabling destra to continue to achieve its growth objectives. Furthermore, the transaction is expected to be EPS accretive for destra shareholders in its first year. It is also destra's intention that current Magna management will continue operating the business," commented destra Chairman, Carl Olsen.

Magna Pacific Holdings Chairman, Mark Elliott, said, "This agreement consolidates the position of two of Australia's leading independent entertainment companies. The complementary nature of the two operations allows Magna to realise the full value of its video content, distribution network and management expertise.

"The merged entity will also realise the full benefit of Magna's state-of-the-art Brisbane site, including its warehouse capacity and production facilities and achieve ongoing operating cost savings in excess of \$2 million per annum."

## **Key Conditions**

Implementation of the scheme is subject to a number of conditions precedent including:

- execution of a Merger Implementation Agreement acceptable to destra and Magna
- Magna shareholder and Court approval of the Scheme
- Destra shareholder approval (if required)
- relevant regulatory approvals
- no prescribed occurrences (as defined by section 652C of the Corporations Act)
- no material transactions
- no material adverse change (relating to share and financial markets and Magna business and financial position)
- waiver of termination payments to senior executives as a result of implementation of the Scheme
- exercise or cancellation of outstanding share options
- necessary funding approval



## **Break Fee**

Magna must pay destra an amount of 1% of the total Cash Consideration (assuming 100% cash acceptance) if at any time before the Scheme is implemented (or the End Date):

- (a) a competing takeover, scheme or other proposal is announced and the bidder acquires a relevant interest in more than 50% of Magna's shares and the proposal becomes unconditional;
- (b) a third party acquires a relevant interest in more than 20% of Magna's ordinary shares;
- (c) a third party acquires or agrees with Magna to acquire the whole or a substantial part of any one or more of Magna's distribution businesses;
- (d) any director of Magna fails to make, or withdraws, a recommendation to vote in favour of the Scheme, other than as a result of an independent expert engaged by Magna Pacific opining that the Scheme is not in the best interests of shareholders (other than in circumstances where a superior proposal has been announced);
- (e) any director of Magna recommends a proposal or offer by a third party to acquire the shares of Magna or a substantial part of its business; or
- (f) destra terminates the agreements for the implementation of the Scheme for a material breach by Magna Pacific that is not remedied by Magna Pacific.

## **Exclusivity Restrictions**

During the period the agreements for the implementation of the Scheme are on foot Magna Pacific must:

- (a) *No-shop*: ensure that neither it nor any of its representatives take any actions with a view to obtaining an expression of interest or proposal from any person regarding a competing transaction;
- (b) *No-due diligence*: not permit due diligence investigations on it or any of its subsidiaries, or make available to any other person information relating to it or its subsidiaries or any competing transaction;
- (c) *No-talk*: ensure that neither it nor any of its representatives negotiates or enters into any negotiations or discussions with any person regarding a competing transaction; and
- (d) *No termination*: ensure that neither it nor any of its representatives enters into any agreement giving Magna Pacific the right to terminate the Transaction.

Despite these exclusivity restrictions, Magna may respond to any unsolicited higher offer where Magna receives legal advice that failing to respond would breach fiduciary duties of Magna's directors. Should such an event occur, Magna Pacific must notify destra and provide it details unless Magna receives legal advice that to do so would breach fiduciary duties of Magna's directors.

Magna will provide destra with all information it requests in connection with the Scheme which information will be subject to a Confidentiality Agreement.



## **Advisers**

Gresham Advisory Partners is acting as financial adviser and Allens Arthur Robinson is acting as legal counsel to destra.

Minter Ellison is acting as legal counsel to Magna.

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For further information;

destra – Antonia O'Neill 02 9270 0240 / 0417 252 805

Magna – Jan Vasyli 07 3267 9888 / 0402 244 836

## **About destra Corporation**

Destra Corporation Ltd (ASX:DES) is Australia's leading independent digital media company. Its core focus is to acquire content (Intellectual Property), build Communities and monetise through the sale of content and advertising. It has three core divisions:

Destra Entertainment: One of the largest CD and DVD publishers in Australia with content ranging from Sports (AFL, NRL, World Cup Soccer), to Music (Dannii Minogue, Joel Turner, Johnny Cash and thousands of others) and Video (Prehistoric Park, Crusty Demons and thousands of others)

Destra Media: Operates numerous online communities including MP3.com.au (largest independent music MP3 site), TheScene.com.au (music fashion and lifestyle), Planet X (extreme sports); Niceshorts.com.au (Short films) and many more.

Brand New Media: Focusing on Media representation across Internet, Subscription TV and In-Flight properties, Brand New Media is a leader in brand funded content. It's exclusive representation network includes Fashion TV, CNBC, Star Asia, ESPN Asia, Movie Network, Virgin Blue In-Flight and many more.

## **About Magna Pacific Holdings**

Magna Pacific (Holdings) is the leading independent film and DVD distributor in Australia and New Zealand.

Magna Pacific has a diverse customer base and distributes DVDs to more than 9000 retail outlets across Australia and New Zealand including ABC Shops, Big W, Coles, Civic Video, K-Mart, Myer, SANITY, Target, Video Ezy and Woolworths.

Magna distributes more than 1700 titles on DVD. This includes box office first time releases such as *Just Friends* and *World's Fastest Indian*, contemporary screen classics such as *Dances with Wolves*, *Once Were Warriors* and the latest children's franchise properties including *Bratz* and *Teenage Mutant Ninja Turtles*.

# destracorporation



Magna enjoys alliances with companies including Becker Group Limited, Dendy Cinemas, Gaffney International Licensing P/L, Carlton International Media Ltd, Discovery Channel, 4Kids Entertainment, DIC, Nelvana, Southern Star, Cromwell Productions, Summit Entertainment, Hit Entertainment and Duke Entertainment to ensure long term supply of high quality titles.