



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

ASX Announcement

23 June 2009

Update on Operational Performance and Litigation Matter

Litigation Update

As previously advised, the Company is a defendant in proceedings commenced in the ACT Supreme Court (Court). The proceedings relate to the decision by the Company not to proceed with the purchase of two child care centres in the ACT in 2008. The plaintiff is seeking an order that the Company perform the contracts of \$3.9M, being the price of the two leasehold child care centres which Early Learning Services had contracted to purchase.

Evidence has been heard by the Court and final submissions in writing by both parties are nearing completion. Judgement has been reserved. It is not known when the decision will be handed down.

The cost of defending the proceeding has far exceeded budget estimates, due to the complexity of the issues involved and the length of the trial. At this point the Company has incurred approximately \$0.7m in legal costs compared to a budgeted \$0.13m.

If the Company is successful in defending the proceedings there is potential for partial recovery of the legal fees incurred. The amount will be up to the determination of the Court.

If the Company does not recover any of the above costs, or they are not offset by better than expected operating performance, then the \$0.57M over-budget expenditure is likely to reduce forecast net profit after tax for 2009 (\$1.7m) by \$0.4m.

Operational Update

Operating performance for the five months to May 2009, excluding the above legal cost over-run, is currently exceeding forecast by \$0.11m at a net profit after tax line. This is an encouraging result given the current economic climate. The rise in unemployment is beginning to impact on occupancy at some centres and is expected to continue to present challenging operating conditions for the remainder of 2009.

The Company will update the market if significant variances appear between actual and forecast performance.

Chris Sacre
Chief Executive Officer

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