



07 September 2009

Early Learning Services Market Update

As illustrated in the Interim Report to 30 June 2009, the underlying childcare operations of the Group performed in line with budget expectations for the half-year to 30 June 2009, despite revenue being impacted by the economic downturn. However the Group's overall loss for the half-year was adversely affected by significant specific items as demonstrated in the following table:

	Actual \$000's	Budget \$000's	Variance \$000's
Underlying loss, before tax, from operation of childcare centres.	(80)	(85)	5
Costs of defending proceedings in the A.C.T. Supreme Court.	(612)	(100)	(512)
Expensing of evaluation and assessment costs incurred in respect of potential centre acquisitions.	(191)	-	(191)
An impairment adjustment to land and buildings now classified as held for sale in the balance sheet.	(82)	-	(82)
Reported Loss before Tax	(965)	(185)	(780)
Tax benefit	263	56	207
Reported Loss after Tax	(702)	(129)	(573)

In general the industry experiences a distinct seasonal variation in profitability, with occupancy increasing from February through to November then dropping off as children move to school. Operations have a significant fixed and semi-fixed cost component of rent and salaries so that second half of the year generates the bulk of profit when increased revenue is only offset by variable cost increases.

However, the impact of rising unemployment in some areas and its impact on occupancy at our centres is challenging and management now consider that the second half of 2009 will deliver lower profits than expected.

As a guide to the probable impact of those trading conditions the full year net Profit after Tax to December 2009 is now expected to fall within the range of \$0.1M to \$0.4M. This includes the impact of specific cost items listed above which do not form part of the Company's normal operations. If it becomes apparent that the result is not likely to fall within this range an update will be issued.

Christopher Sacre
Chief Executive Officer

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