

**A.B.C. Learning Centres Limited**

**Chairman's Address – 2003 Annual General Meeting**

**18/11/2003**

Allow me to introduce to you my fellow directors.....and in doing so welcome our newest director David Ryan, Eddy Groves Le Neve Groves and Martin Kemp. Unfortunately, Bill Bessemer is unable to be with us today due to ill health.

I'd like to welcome all of you and particularly thank you for taking the time and showing the interest in attending this third AGM. This once a year meeting is an important opportunity for us as Directors, in the company of many of our staff, to meet with our shareholders to tell you what has been happening over the year behind, what we plan to make happen in the year ahead and to have the chance to answer your questions and hear your views.

It's a time for assessment and taking stock and recognising that the ABC journey, or adventure, is one we're all embarked on together.

This is the third time I have stood before you as your chairman and as usual I'm very proud to do so. As with our previous two years as a publicly listed company the year ended June 2003 has been one of spectacular growth. At the end of the last financial year we had 94 centres; by June this year we had 187. The number of licensed child-care places had grown from 7,608 to 13 607 in that year and the fees we've received have similarly almost doubled. As of today, in mid-November, we have 231 centres. We are now a truly national company with Centres in (or planned for) every State and Territory,

and internationally with a presence in New Zealand with our centres in Auckland and Christchurch.

At June 30 our after tax profit was \$12.07 million, nearly double last year's profit of \$6.86 million, and I'm pleased we have been able to reward our shareholders with a dividend payout of 7 cents made up of an interim payment of 3 cents per share and a final payment of 4 cents per share.

I think we can be justified in being proud of our achievements because this has been something of a volatile year in the child-care industry, with some companies, who have publicly listed but of whom it must be said in the kindest possible way, that they have proved a disappointment to their shareholders.

I mention this, not to pat ourselves on the back, as it were, but to remind us at this annual time of taking stock of the reasons why we have been successful and able to remain so.

In my first Chairman's address back in 2001 I said " ABC has always placed a strong emphasis on quality and a caring environment ever since the company began in 1988 with three staff at the Ashgrove centre. Now that we have 1500 staff and are moving towards being a national organisation, that emphasis has remained exactly the same".

I also said, and I think it does bear repeating, "This standard of quality is one of the reasons for the company's spectacular success. Another is the common-sense, hard-headed management approach which has understood that an organisation that might not seem a business in the usual sense is in fact that, and must be run as a business if all

who are involved are to benefit...the children, their parents, the staff and now you the shareholders. As private enterprise management we are continually streamlining our processes, for example in maintenance, and constantly looking for new ways to do things better".

Well, that was 2001. Now in 2003, we have over 3,500 staff, a separate company runs our maintenance programme and we still always looking for ways to do things better.

Good management, I believe, is the number one determining factor in a company's success and we have that. I'm sometimes asked about our management capacity in the light of our tremendous growth and I'm able to reply with great confidence that our emphasis on solid management has ensured that there is a steadiness to our development and that it's there at every level of the company from Head Office here in Brisbane to our regional management to our smallest or our most far flung centres.

We have the same standards in every Centre, whether we're talking of building standards, the ABC corporate colours or our learning programs and this gives our parents confidence.

For we are not just in the business of doing business. Our real business is caring for small children and providing them with a proper environment of learning and love. I liked what Le Neve said in her Managing Director's report in the Annual Report that we "provide opportunities to create the very precious memories of childhood". We understand too that children are part of a family and families are part of a community and so we pay attention

not only to their needs but also to the changes in society and the world around us. I know this may sound obvious, but sometimes these things are taken for granted and ignored.

It is this special attention to detail, every detail, be it physical, emotional and social, as well as good management that has made ABC the successful company that it is. .

As a company, some of the highlights of our year were the acquisition of the Educare centres in September 2002, the Learning Tree centres in April 2003 and then the takeover of FutureOne and the Brighter Future Centres in June 2003. The acquisition of FutureOne Limited and its 11 Brighter Future Family Services centres became effective on June 13, and since then we have acquired a further 25 centres through the options the company held at the time of the takeover.

In addition, I will be asking you to vote on an increase in the pool of fees for Non-Executive Directors of \$150,000 to take the total pool to \$400,000. This will enable your Board to appoint additional talented people as Directors of your company without having to resort to an increase in the pool at that time. The additional pressures of the changes in Corporate Governance expectations of the investing community mean that we will continue to seek out suitably qualified people to represent you on the Board of your company.

The issue of options to both Executive and Non-executive Directors is also on the agenda for your consideration. Your Directors believe that an appropriately based option program offers the greatest shareholder value to you all. It will enable your Directors to achieve a

greater reward in line with the added value they create for you. Recent history is proof that the program works in the case of your Company.

The Company has previously announced the issue of Redeemable Converting Preference Shares (RCPS). Recently, we issued a prospectus to you for the Public offer of up to 4 million RCPS at \$5 each. As a shareholder, you will also have received a personalised application form for the RCPS. I recommend that you carefully read the prospectus and seek professional advice where necessary before making application for RCPS on your personalised application form. In addition to the Public Offer, the Company is placing up to 8 million RCPS with Professional Investors. Today, you will be asked to vote on an amendment to the Constitution to enable RCPS to be issued, to approve the Public Offer, to approve the Issue of RCPS to Professional Investors and to enable your Directors to invest in the RCPS if they so choose.

So finally it just remains for me to say thank you.....to my fellow directors for their continuing commitment and support, and to you our shareholders for yours. As I said at the beginning, your attendance today is very welcome as an indication of your continued interest in the operation of your company.

And of course I must thank the ABC staff...not just Eddy and Le Neve's contribution as directors but also for their able leadership. Behind them there is a great team who sometimes get forgotten in the public perception with the understandable attention that has been given to our leaders. Led by Jillian Reynolds and Wendy Ricato these are the people who have shown such skill and competence in managing and developing the

ABC workplace and giving service to our client families, and they are spread right around Australia and New Zealand. My special thanks, and this is personal, go to Rob Harris our tireless company secretary and his great team who have had a particular load this year with all our acquisitions.

It's been a great year and one that has certainly confirmed our role as leaders in child-care in Australia. The year in front of us will be great too. I'd have liked to use the word "consolidate" because that would emphasise my natural desire for steady-as-she-goes development of the company.

But I'm sure there'll be adventures ahead. The industry is so important and the demand so great for what we do so well that there will be opportunities and challenges for us to accept.

And before I hand over to Eddy and Le Neve, I wish you and your families all the best for the festive season ahead.

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