



KIDS CAMPUS

Kids Campus Limited ACN 009 815 472

Where Education is Child's Play

Trading Businesses:

Kids Campus Australia Pty Ltd ABN 13 104 407 187
Kids Campus Holdings Pty Ltd ABN 62 107 379 751



15 March 2006

ASX Release

A.B.C. Learning Centres Limited to acquire Kids Campus Limited

Leading childcare provider A.B.C. Learning Centres Limited (**ABC**) (ASX:ABS) announced today it would acquire for \$142.2m all of the outstanding equity and convertible securities (equivalent to 158 million ordinary shares in aggregate) in Kids Campus Limited (**Kids Campus**) (ASX:KDS) for \$0.90 cash per share.

The acquisition is to be accomplished by ABC making a recommended off-market takeover offer for all of the issued ordinary shares in Kids Campus.

ABC's offer will be subject to a number of conditions, which are summarised in Annexure A to this announcement.

Financial Implications and New Guidance for ABC

ABC's CEO – Global Operations, Eddy Groves said "the acquisition of Kids Campus is consistent with ABC's strategy of managed growth. The acquisition is expected to be EPS positive within year one and is forecast to generate returns in line with previous guidance of approximately \$180,000 EBITDA per centre in the 2007 financial year."

The acquisition will add up to a further 106 quality centres (85 currently operating and up to a further 21 to be acquired and/or developed) with 8,000 places in strategic locations. The majority of the centres have been developed in the last 2 to 3 years and require minimal refurbishment capex. In addition, ABC has entered into a development agreement with the Community Infrastructure Development Fund (CIDF) (an entity associated with Doug Lomas) securing CIDF's development pipeline on an exclusive basis for future centres representing a total of 4,000 licensed places or approximately 40 additional centres.

The centres to be acquired under the transaction represent an expansion of less than 10% of ABC's existing global portfolio. The acquired centres are in addition to ABC's previous guidance of 850 centres in Australia and New Zealand by 30 June 2006 and excludes the acquisition of US based Learning Care Group, Incorporated which adds a further 322 owned centres, 132 franchised centres and 6 managed centres. ABC now expects to start the new financial year with closer to 950 centres in Australia and New Zealand.

ABC Chairman, Sallyanne Atkinson AO, said "ABC's strong management team and systems would ensure the highest standards of quality would be maintained with the integration of Kids Campus' centres."

"ABC is committed to creating exciting and challenging early learning environments for children and raising the standards across Australia," Ms Atkinson said.

ABC's CEO for Australia and New Zealand, Martin Kemp, said "the acquisition of Kids Campus will allow ABC to further consolidate its position in Australia and continue to build its brand. ABC has demonstrated its ability to integrate new centres into its operations with its successful merger with the Peppercorn Management Group in 2005."

ABC will move quickly to integrate these new centres following completion of the takeover and expects to achieve similar returns to existing ABC centres within the 2007 Financial Year. This will be achieved by integrating Kids Campus' head office functions within ABC's corporate head office, the elimination of costs currently incurred by Kids Campus as a public company (such as board costs, ASX listing fees and complying with ASX disclosure and reporting requirements) and improvements in occupancy levels leveraging off ABC's nationwide call centre, marketing and the ramp-up at recently developed centres.

By way of comparison, in the period to December 2005 occupancy within Kids Campus' existing portfolio averaged around 77%, due largely to the high proportion of developing centres, whereas ABC's average occupancy was around 89%.

The acquisition will be funded by a committed debt facility which will increase ABC's gearing to around 36%.

Recommended Offer

All of the Directors of Kids Campus have advised ABC that they will recommend that Kids Campus shareholders accept ABC's takeover offer, in the absence of a superior proposal. The Directors of Kids Campus also intend to accept ABC's offer in respect of the Kids Campus shares in which they have an interest.

Background on Kids Campus

Kids Campus listed on the ASX in 2004. Since listing, Kids Campus has acquired the operations of 85 childcare centres representing a total of 6,137 licensed places. Kids Campus has arrangements to acquire the operations of and/or develop a further 21 childcare centres taking total licensed places to over 8,000. Kids Campus' centres are well known to ABC and are strategically located in Victoria (57), Queensland (38), WA (10) and NSW (1).

Benefits to Kids Campus shareholders

In recommending ABC's takeover offer, Kids Campus' Managing Director, Mark Evans said "ABC is the industry leader. The Directors unanimously support the offer and believe that it provides full and fair value for our shareholders, having regard to the historical trading range of Kids Campus' shares and the low level of liquidity of those shares on the ASX. In addition, we believe the takeover will provide many long term benefits for our staff, children and parents."

Implementation Agreement

ABC has entered into a takeover bid implementation agreement with Kids Campus. The agreement contains non-solicitation obligations which apply until 6 months after lodgement of the bidder's statement relating to the takeover offer subject to appropriate carveouts reflecting the fiduciary duties of the Kids Campus Board. It also provides that Kids Campus will pay ABC a break fee of \$1m in certain circumstances including if any Kids Campus Director does not make or withdraws a recommendation to Kids Campus shareholders that they accept ABC's takeover offer, a Kids Campus Director does not accept ABC's takeover offer in respect of his or her Kids Campus shares (or shares in which they have an interest), any Kids Campus Director recommends an alternative transaction, a competing party acquires a relevant interest in more than 10% of Kids Campus' shares or where ABC terminates the agreement as a result of a breach of the implementation agreement by Kids Campus. ABC is required to pay a break fee of \$250,000 if Kids Campus terminates the agreement as a result of a contractual breach by ABC.

Option over 19.9% of Kids Campus ordinary shares

In connection with its takeover offer, ABC has entered into option agreements over 19.9% of Kids Campus' ordinary shares. The option agreements have been entered with two of Kids Campus' major shareholder groups, Investec (comprising IWPE Nominees Pty Limited as trustee for Investec Wentworth Private Equity Fund, MGB Equity Growth Pty Limited as trustee for MGB Equity Growth (Trust No 2) and Investec Australia Direct Investments Pty Limited) (for 11.4%) and Chimaera Capital Ltd (for 8.5%). The option agreements enable ABC to acquire the shares held by Investec and Chimaera, respectively for \$0.90 cash per share and have a minimum term of 16 weeks from the announcement of the takeover offer.

Acquisition of Convertible Securities

Also, in connection with its takeover offer, ABC has entered into contracts to acquire all of the Kids Campus preference shares and attaching options held by Investec and Belgravia KDS Pty Ltd. Collectively, these non-voting securities amount to over 19% of Kids Campus' capital on a fully diluted basis. These securities will be acquired for \$0.90 cash per preference share and \$0.30 cash per option. The contracts are conditional upon ABC declaring its offer unconditional and have a minimum term of 16 weeks from the announcement of the takeover offer.

Support for offer

Sunbay Pty Ltd (Sunbay) is a major shareholder of Kids Campus, holding 22% of its issued ordinary shares. Sunbay's holding in Kids Campus is currently escrowed in accordance with ASX requirements dating back to Kids Campus listing. Sunbay has advised ABC that Sunbay intends to accept the offer, in the absence of a superior proposal, once the ASX Listing Rules' conditions for release of Sunbay's shares from escrow are satisfied.

Development Agreements

In connection with ABC's takeover offer, Kids Campus has entered into a development agreement with Sunbay. This replaces the existing development agreement between Kids Campus and Sunbay relating to the delivery of 12 childcare centres currently under development. In addition, ABC and the Community Infrastructure Development Fund (CIDF) have entered into another development agreement securing CIDF's development pipeline on an exclusive basis for future centres representing a total of 4,000 licensed places. The development obligations under these agreements will become effective once the conditions attaching to the takeover offer have been satisfied or waived.

Sale of centres to Australian Education Trust

IWPE currently holds freehold title to 26 childcare centres as the responsible entity for the Kids Campus Property Trust. IWPE has entered into a Heads of Agreement with Austock Property Management Limited as responsible entity of the Australian Education Trust (AET) under which AET will acquire these properties subject to completion of ABC's takeover offer.

Timing and Next Steps

Kids Campus shareholders should wait to receive ABC's formal offer and Kids Campus' bid response document, which are expected to be sent together within the next two weeks.

Austock Corporate Finance is acting as financial adviser to ABC. Legal advisers are Freehills for ABC and Minter Ellison for Kids Campus.

About A.B.C. Learning Centres Limited

For more information visit the A.B.C. website at: www.childcare.com.au

About Kids Campus Limited

For more information visit the Kids Campus website at: www.kidscampus.com.au

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Annexure A – Offer Conditions

ABC's takeover offer will be subject to the following conditions:

- the number of Kids Campus ordinary shares in which ABC has a relevant interest at the end of the offer period is not less than 90%;
- Kids Campus having no more than 158m ordinary shares on issue following announcement of the offer and all rights relating to the issue of Kids Campus shares or conversion of securities into Kids Campus shares are exercised or cancelled;
- Kids Campus adjusted net debt is not greater than \$27m during the offer period;
- The receipt of all necessary regulatory approvals and regulatory bodies taking no action to oppose the offer and in the case of the ACCC this must occur within 16 weeks of announcement of the offer;
- no material adverse change occurs or becomes apparent in Kids Campus' business, financial position or prospects;
- no material acquisitions, disposals by, or other material transactions undertaken by, Kids Campus;
- no dividends or other distributions during the offer period;
- Kids Campus using reasonable endeavours to obtain applicable lessor consents and mortgagee consents prior to the end of the offer period in respect of the change in control resulting from the Offer; and
- half the proceeds of any sale of centres by Kids Campus during the offer period be used to repay the Kids Campus bank facility and the other half maintained within the company; and
- no prescribed occurrences (as referred to in section 652C of the *Corporations Act*).