



A.B.C. Learning Centres Limited

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ASX ANNOUNCEMENT

A.B.C. LEARNING CENTRES LIMITED (ASX:ABS)

ABC NOTES INFORMATION AND COUPON RATE

A.B.C. Learning Centres Limited today announced the following information in relation to the ABC Notes:

1. The ASX code for the ABC Notes is "ABSG".
2. The names of the 20 largest ABC Note Holders are set out in Schedule 1 and the ABC Note Holder distribution schedule is set out in Schedule 2.
3. The terms of issue of the ABC Notes have been amended to reflect that ABC Notes are now traded on CHESSE and not Austraclear. The amended terms of issue are set out in Schedule 3.
4. The Coupon Rate for the ABC Notes for the first Coupon Period is 9.1367%, comprising the bank bill swap rate as at 13 June of 6.6367% + the margin of 2.5000%.

Jillian Bannan
Company Secretary

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Schedule 1

20 Largest ABC Note Holders

RANK	NAME	NUMBER	PERCENTAGE
1	COMMONWEALTH BANK OF AUSTRALIA O/A FIS	1,848,010	30.80
2	NATIONAL NOMINEES LIMITED	1,168,850	19.48
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	994,900	16.58
4	ANZ NOMINEES LIMITED	993,050	16.55
5	CITICORP NOMINEES PTY LIMITED	889,700	14.83
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 3	60,000	1.00
7	ANTARES ALTERNATIVE YIELD FUND	30,000	0.50
8	SANDHURST TRUSTEES LIMITED <AUSTOCK HIGH YIELD FUND A/C>	8,000	0.13
9	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 A/C>	1,500	<0.05
10	E J MCELVANEY INVESTMENTS PTY LTD <MACAR SUPER FUND A/C>	1,000	<0.05
11	LADYBIRD HOLDINGS PTY LIMITED	1,000	<0.05
12	YEUNG SUPER FUND	1,000	<0.05
13	FAETE HOLDINGS PTY LIMITED	800	<0.05
14	CITICORP NOMINEES PTY LIMITED <DPSL A/C>	750	<0.05
15	MRS BEVERLY SHARPLES	300	<0.05
16	CITICORP NOMINEES PTY LIMITED <DPSL RE DIRECTPORTFOLIO A/C>	250	<0.05
17	MS SIMONE NICOLL	250	<0.05
18	LEE AND TIAR PTY LTD	100	<0.05
19	MRS LEANNE LEONG	100	<0.05
20	MRS CARMEL SHARPLES	100	<0.05
	TOTAL	5,999,660	

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Schedule 2

ABC Note Holder Distribution Schedule

RANGES	INVESTORS	SECURITIES	% ISSUED CAPITAL
1 to 1,000	57	5,990	0.10
1001 to 5,000	1	1,500	0.03
5,001 to 10,000	1	8,000	0.13
10,001 to 100,000	2	90,000	1.50
100,001 and over	5	5,894,510	98.24
TOTAL	66	6,000,000	100.00

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Schedule 3

Amended terms of issue

Appendix A – Terms of Issue

This schedule to the Trust Deed is the full Terms of Issue of ABC Notes.

1. FORM

- (a) ABC Notes are cumulative, subordinated, resettable notes issued and owing under, and constituted by, the Trust Deed by the Issuer. Holders are entitled to the benefit of and are bound by the provisions of the Trust Deed.
- (b) The ABC Notes are issued in the form of entries in the Register. No certificate or other document will be issued by the Issuer to evidence title to an ABC Note unless the Issuer determines that such evidence should be made available or is required by law.
- (c) Each entry in the Register with respect to an ABC Note constitutes a separate and individual acknowledgement to the relevant Holder of the indebtedness of the Issuer to that Holder on the terms of the Trust Deed. The Holder to whom those obligations are owed is entitled, subject to the provisions of these Terms of Issue and the Trust Deed, to enforce its rights with respect to an ABC Note without having to join any other Holder or any predecessor in title of an ABC Note.

2. FACE VALUE

Each ABC Note will be issued by the Issuer as fully paid at an issue price of \$100 (**Face Value**).

3. ASX LISTING RULES

The ASX Listing Rules will apply in relation to the ABC Notes while the ABC Notes are listed on the ASX.

4. COUPONS

4.1 Coupon

Subject to these Terms of Issue, the Holder on the relevant Record Date of each ABC Note is entitled to receive on each relevant Coupon Payment Date an amount (**Coupon**) calculated in accordance with the following formula:

$$\text{Coupon} = \frac{\text{Coupon Rate} \times \text{Face Value} \times N}{365}$$

where:

Face Value has the meaning given in clause 2;

N is the number of days from (and including) either the Allotment Date or the preceding Coupon Payment Date (whichever is the later) until (but not including) the relevant Coupon Payment Date; and

Coupon Rate expressed as a percentage per annum, is calculated to four decimal places in accordance with the following formula:

$$(\text{Reference Rate} + \text{Margin})$$

where:

Reference Rate has the meaning given in clause 18;

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Margin is:

- (a) for the period up to (but not including) the first Reset Date, 2.50% per annum; and
- (b) following a Reset Date, for the period from (and including) that Reset Date and up to (but not including) the next Reset Date, the Margin determined under clause 6.

4.2 Payment of Coupon

Subject to this clause 4 and these Terms of Issue generally, and there being no legal impediment under the Corporations Act or any other law that prohibits or restricts the Issuer paying the Coupon, the Issuer must pay the Coupon accrued on each ABC Note on each Coupon Payment Date.

Coupons shall be paid by cheque, direct credit or such other means as authorised by the Directors.

4.3 Coupon Payment Dates

- (a) Subject to this clause 4, Coupons will be payable on each ABC Note on:
 - (i) 13 December 2007 and thereafter on each 13 June and 13 December until ABC Notes are Converted or Redeemed (or as determined from time to time under clause 6.1(b)) (**Coupon Payment Date**);
 - (ii) on each Exchange Date in relation to ABC Notes being Converted or Redeemed; and
 - (iii) the date that a Winding Up of the Issuer commences (as defined in the Corporations Act).

4.4 Deferred Coupons

- (a) Subject to clause 4.4(e), the Board, at its discretion, may determine to defer payment of the Coupon payable on any Coupon Payment Date until the next Coupon Payment Date, provided that notice of the deferral has been given in accordance with clause 4.4(c) as soon as reasonably practicable after that determination and, in any event, no less than 3 Business Days before the Coupon Payment Date upon which such Coupon is otherwise payable.
- (b) Subject to clause 4.4(e), in the event that the Board has deferred payment of a Coupon pursuant to clause 4.4(a) until the next Coupon Payment Date, the Board may, at its discretion, determine to further defer such payment on one or more successive occasions until the next Coupon Payment Date following the deferral in question, provided that notice of any further deferral has been given in accordance with clause 4.4(c) as soon as reasonably practicable after that determination and, in any event, no less than 3 Business Days before the Coupon Payment Date to which such payment has been validly deferred under this clause 4.4.
- (c) Where a payment is deferred under this clause 4.4, the Issuer will give notice (**Deferral Notice**) to the Trustee and the Holders that payment will be deferred under this clause 4.4. A Deferral Notice will stipulate:
 - (i) that the Issuer is exercising its rights to defer, or further defer, payment of a Coupon in accordance with this clause 4.4; and
 - (ii) the Coupon being deferred (if applicable) under clause 4.4(a), any Outstanding Coupon Amount being further deferred (if applicable) under clause 4.4(b), the Coupon Rate applicable to calculate Accrued Interest under clause 4.5 and the next Coupon Payment Date.
- (d) The deferral of any Coupon under clause 4.4(a) or 4.4(b) will not constitute a default by the Issuer for any purpose.

- (e) The Outstanding Coupon Amount at a Final Coupon Deferral Date, and any Coupon first falling for payment under clause 4.3 on the Final Coupon Deferral Date, must be paid by the Issuer on the Final Coupon Deferral Date.

4.5 Accrued Interest

Interest shall accrue on any Deferred Coupon on a daily basis from and including the relevant Coupon Payment Date up to, but excluding, the date of payment of the Outstanding Coupon Amount at a rate equal to the sum of the prevailing Coupon Rate and 2.00% per annum. Accrued Interest on Deferred Coupons compounds on each subsequent Coupon Payment Date up to, but excluding, the date of payment of the Outstanding Coupon Amount. Accrued Interest on a Deferred Coupon is payable at such time as the Deferred Coupon is paid.

4.6 Optional Deferred Coupon Payments

- (a) Subject to clause 4.4(e), the Board, at its discretion, may determine that all or part of any Outstanding Coupon Amount shall be paid by the Issuer on all, but not some, ABC Notes on a date determined by the Board. Any such payment is only payable to those persons registered as Holders on the Record Date for that payment. The Issuer must give notice of any such determination at least 15 Business Days prior to the date of payment.
- (b) Any Coupon payment with respect to the ABC Notes, including the payment of an Outstanding Coupon Amount must be applied as follows:
- (i) first, in payment of any Accrued Interest on any Deferred Coupons calculated in accordance with clause 4.5;
 - (ii) secondly, in payment of any outstanding Deferred Coupon; and
 - (iii) thirdly, in payment of any current Coupon.

4.7 Restrictions in case of Deferral

For so long as there is an Outstanding Coupon Amount, the Issuer must not:

- (i) resolve to pay or pay a distribution or make any distribution on any capital securities or other instruments of the Issuer which rank equally with or subordinate to the ABC Notes, or set aside any sum or assets for the payment thereof;
- (ii) redeem, reduce, cancel or acquire for any consideration any capital securities or other instruments of the Issuer which rank equally with or subordinate to the ABC Notes, or set aside any sum or assets for the payment thereof; or
- (iii) undertake any arrangement, reconstruction or reorganisation whatsoever between itself and its members or holders of any capital securities or other instruments of the Issuer which rank equally with or subordinate to the ABC Notes, or between itself and its creditors or any class of them which rank equally with or subordinate to the ABC Notes and in any case which would have a material adverse effect on the value of the ABC Notes.

4.8 Rounding of Coupons

All calculations of Coupons will be rounded to four decimal places. For the purposes of making any Coupon payment in respect of a Holder's total holding of ABC Notes, any fraction of a cent will be disregarded.

4.9 Record Dates

- (a) A Coupon is only payable to those persons registered as Holders on the Record Date for that Coupon.

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- (b) A Deferred Coupon and Accrued Interest thereon is only payable to those persons registered as Holders on the Record Date in respect of payment of the Accrued Interest or the Deferred Coupons.

4.10 Withholding Obligations

The Issuer will be entitled to deduct from any amount payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such amount. If any such deduction has been made and the amount of the deduction accounted for by the Issuer to the relevant revenue authority and the balance of the amount payable has been paid to the Holder concerned, then the full amount payable to such Holder shall be deemed to have been duly paid and satisfied by the Issuer. The Issuer will pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment.

5. PAYMENTS

5.1 Payments subject to laws

All payments in respect of any ABC Notes are subject to all applicable fiscal laws or other Directives, but without prejudice to clause 4.10 of these Terms of Issue.

5.2 Payments on business days

All payments in respect of any ABC Note must be made in accordance with the Following Business Day Convention, and in each such case, the Holder is not entitled to any additional payment in respect of any delay in payment.

5.3 Method of payment

Notwithstanding any other provision of these Terms of Issue, payments in respect of ABC Notes will be made:

- (a) by crediting on the payment date, the amount then due under each ABC Note to an account in Australia as previously notified by the relevant Holder to the Issuer and the Trustee; and
- (b) if no such account is specified, by cheque drawn on a bank in Australia in Australian dollars sent by prepaid post on the Business Day prior to the relevant due date for payment at the risk of such Holder, to the address located in Australia of the holder of that ABC Note (or to the first named joint holder of that ABC Note) at its address appearing in the Register on the relevant Record Date.

6. RESET OF TERMS

6.1 Reset by the Issuer

- (a) The Issuer may serve on Holders a Reset Notice at least 50 Business Days (but not earlier than 3 months) before a Reset Date in respect of all of their ABC Notes.
- (b) If the Issuer serves a Reset Notice on Holders, the Issuer must include in that notice the terms of the ABC Notes that will be adjusted with effect from (and including) that Reset Date until the next Reset Date. The terms that may be adjusted are:
 - (i) the Margin;
 - (ii) the Reference Rate (a change to which includes, but is not limited to, a change to the basis of calculation of the Reference Rate (from floating to fixed or fixed to floating or any other variation)) which must always be greater than zero;
 - (iii) the Conversion Discount;
 - (iv) the next Reset Date (which must be at least 12 months after the Reset Date in question and coincide with a Coupon Payment Date);
 - (v) the timing of Coupon Payment Dates; and

(vi) the definition of Acceleration Events as defined in clause 11.2(d).

Any terms not specified in the Reset Notice as being adjusted will remain unchanged until the next Reset Date.

6.2 Deemed Reset

If the Issuer does not serve a Reset Notice within the period prescribed by clause 6.1, or purports to change terms other than as set out in clause 6.1, no change with respect to such term(s) shall be deemed to have occurred and the relevant term(s) will remain the same as prior to the Reset Date (**Deemed Reset**).

6.3 Holder Acceptance of Reset

A Holder who does not give a Holder Exchange Notice to the Issuer by the time specified in clause 8.1(a)(i) in relation to the relevant Reset Date will be treated as having agreed to the terms specified in a notice under clause 6.1(b) or if no Reset Notice has been issued, the existing terms applying to the ABC Notes pursuant to clause 6.2 applying to its ABC Notes until the next Reset Date.

7. ISSUER EXIT RIGHTS

7.1 Exchange Notice by the Issuer to Redeem

- (a) The Issuer may serve on Holders an Issuer Exchange Notice to Redeem:
- (i) all or some ABC Notes at least 35 Business Days (but not earlier than 3 months) before a Reset Date;
 - (ii) all (but not some only) ABC Notes at any time following the occurrence of a Tax Event, Change in Law Event or Accounting Event;
 - (iii) all (but not some only) ABC Notes following a Takeover Event by no later than 15 Business Days from (and including) the date of issue or deemed issue by the Issuer of a Takeover Event Notice as described in clause 9.1; or
 - (iv) all (but not some only) ABC Notes on issue if at any time the aggregate Face Value of all ABC Notes on issue is less than \$50 million.
- (b) The Issuer must serve an Issuer Exchange Notice to Redeem all remaining ABC Notes on Issue not later than 35 Business Days (but not earlier than 3 months) before the Final Exchange Date.
- (c) If an Issuer Exchange Notice is served on Holders the ABC Notes will be Redeemed for the Redemption Amount calculated in accordance with clause 11.1 on the relevant Exchange Date as specified in clause 7.2.

7.2 Exchange Date

- (a) If the Issuer serves an Issuer Exchange Notice in accordance with:
- (i) clause 7.1(a)(i), the Exchange Date is the Reset Date immediately following the service of the notice;
 - (ii) clauses 7.1(a)(ii)-(iv), the Exchange Date is 25 Business Days from (but excluding) the day that the Issuer Exchange Notice is served by the Issuer unless the Issuer determines an earlier or later Exchange Date as notified in the Issuer Exchange Notice having regard to the best interests of the Holders (collectively) and the relevant event; or
 - (iii) clause 7.1(b), the Exchange Date is the Final Exchange Date.

8. HOLDER EXIT RIGHTS

8.1 Exchange by the Holder

- (a) Subject to clause 8.1(d), Holders may serve on the Issuer a Holder Exchange Notice to Exchange all or some of their ABC Notes:
- (i) at least 25 Business Days (but no more than 3 months) before a Reset Date;
 - (ii) no later than 15 Business Days from (and including) the date of issue or deemed issue by the Issuer of Takeover Event Notice as described in clause 9.1; or
 - (iii) no later than 15 Business Days from (and including) the date of issue or deemed issue by the Issuer of a Sale of Core Assets Event Notice as described in clause 9.1.
- (b) On receipt of a valid Holder Exchange Notice served by a Holder under clause 8.1(a) the Issuer must, on the Exchange Date:
- (i) if the ABC Notes the subject of the Holder Exchange Notice are Tranche B Notes, Redeem the ABC Notes in accordance with clause 11, subject to clause 12.2; and
 - (ii) in all other cases:
 - (A) Convert the ABC Notes the subject of the Holder Exchange Notice into Ordinary Shares in accordance with clause 10; or
 - (B) Redeem the ABC Notes in accordance with clause 11, at the Issuer's election.
- (c) Following receipt of a valid Holder Exchange Notice served in accordance with clause 8.1(a) the Issuer must, not less than 23 Business Days before the relevant Exchange Date, issue a market release to ASX stating whether it intends to Convert or Redeem ABC Notes for which it has received a valid Holder Exchange Notice. Such notice will apply to all ABC Notes for which the Issuer has received a valid Holder Exchange Notice in accordance with clause 8.1(a).
- (d) To be valid, a Holder Exchange Notice must:
- (i) be received by the Issuer on or before the final day on which service of such notice by the Holder is permitted to be given; and
 - (ii) must be for a minimum of the lesser of:
 - (A) 20 ABC Notes; and
 - (B) the number of ABC Notes registered in the name of the Holder that issues the Holder Exchange Notice.

8.2 Exchange Date

- (a) If a Holder serves a Holder Exchange Notice in accordance with:
- (i) clause 8.1(a)(i), the Exchange Date will be the Reset Date immediately following service of the notice; or
 - (ii) clause 8.1(a)(ii) or 8.1(a)(iii), the Exchange Date will be 25 Business Days after (but excluding) the last date that Holders may serve a Holder Exchange Notice to the Issuer unless the Issuer determines an earlier or later Exchange Date as notified to the Holders having regard to the best interests of the Holders (collectively) and the relevant event.

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9. NOTICE OF EVENTS AND EXCHANGE

9.1 Notification of a Takeover Event or Sale of Core Assets Event

- (a) If a Takeover Event or Sale of Core Assets Event occurs, the Issuer must:
- (i) issue a market release to ASX describing the particular Takeover Event or Sale of Core Assets Event no later than 5 Business Days after becoming aware of the occurrence of that Takeover Event or Sale of Core Assets Event; and
 - (ii) give notice of the Takeover Event or Sale of Core Assets Event by sending a written notice (which may take the form of a copy of the market release referred to above) to each Holder and the Trustee (**Takeover Event Notice** or **Sale of Core Assets Event Notice** respectively) within 3 Business Days after the day on which the market release is made, and in any event no later than 8 Business Days after becoming aware of the occurrence of that Takeover Event or Sale of Core Assets Event.
- (b) If a Takeover Event Notice or Sale of Core Assets Event Notice is not given within the timeframe specified in clause 9.1(a) above, and the relevant Takeover Event or Sale of Core Assets Event has become Publicly Known, that Takeover Event Notice or Sale of Core Assets Event Notice will be deemed to have been given on the day that is 5 Business Days after the relevant Takeover Event or Sale of Core Assets Event becomes Publicly Known.

9.2 Effectiveness of Holder Exchange Notices and Issuer Exchange Notices

- (a) A Holder Exchange Notice and Issuer Exchange Notice once given, is irrevocable.
- (b) Once a Holder has given a Holder Exchange Notice, that Holder must not deal with, transfer, dispose of or otherwise encumber the ABC Notes the subject of the Holder Exchange Notice.
- (c) A Holder Exchange Notice served in accordance with clause 8.1 will take precedence over an Issuer Exchange Notice served on Holders by the Issuer under clause 7.1, regardless of which notice is given first.

9.3 Form of Holder Request

- (a) A form of Holder Exchange Notice which may be used by Holders pursuant to clause 8.1(a) must be made available by the Issuer upon request.
- (b) The Holder Exchange Notice must indicate under which sub-clause of clause 8.1(a), the Holder is giving notice.
- (c) A Holder Exchange Notice served by a Holder must, unless this requirement is waived by the Issuer, be accompanied by evidence of title reasonably acceptable to the Issuer for the ABC Notes the subject of the Holder Exchange Notice and is not taken to be a valid notice unless and until such evidence is actually received by the Issuer.

9.4 Multiple Exchange Dates

Where more than one event results in more than one Exchange Date, the Issuer will be required to effect the Exchange of the relevant ABC Notes on the earliest Exchange Date only and shall have no obligation with respect to such ABC Notes on all such other Exchange Dates.

9.5 Irregularity

Where the Issuer is required to give a notice in relation to any act, matter or determination, the accidental omission to give that notice does not affect the validity of that act, matter or determination.

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10. CONVERSION

10.1 Process

- (a) On Conversion:
- (i) the Issuer will Redeem each of the ABC Notes the subject of the Holder Exchange Notice for the Face Value. The whole of the Face Value will then be applied in respect of each ABC Note being Redeemed to subscribe on behalf of the Holder for the number of Ordinary Shares calculated according to the Conversion Ratio; and
 - (ii) the relevant Holder irrevocably and unconditionally:
 - (A) acknowledges that the application of the Face Value in that manner is in full and final satisfaction of the Redemption of each ABC Note being Redeemed; and
 - (B) consents to be a member of the Issuer and agrees to be bound by the Constitution.
- (b) On Conversion, the Issuer must issue or otherwise deliver (or procure the delivery of) to the relevant Holder the number of Ordinary Shares for each ABC Note equal to the Conversion Ratio within 3 Business Days after the Exchange Date. Any such issue or delivery will have effect on and from, and be deemed to have been made on, the Exchange Date.

10.2 Conversion Ratio

- (a) Subject to the remainder of this clause 10.2, the number of Ordinary Shares to which a Holder is entitled upon Conversion for each ABC Note that is being Converted is the Conversion Ratio calculated according to the following formula (provided that where the total number of Ordinary Shares to be issued to a Holder includes a fraction, that fraction will be disregarded):

$$\text{Conversion Ratio} = \frac{\text{Face Value}}{\text{VWAP} \times (100\% - \text{CD})}$$

where:

VWAP means the VWAP for the Reference Period; and

CD means the Conversion Discount.

- (b) If Exchange has resulted from a Takeover Event then the denominator in the formula in clause 10.2 will be the lesser of:
- (i) (100% - Conversion Discount) multiplied by the Offer Price as at the date when the relevant Issuer Exchange Notice or Holder Exchange Notice was issued under clause 7.1(a)(iii) or 8.1(a)(ii) (and if both an Issuer Exchange Notice and a Holder Exchange Notice have been issued in respect of the same ABC Notes, the date that the Holder Exchange Notice was issued shall be the relevant date); and
 - (ii) the VWAP (expressed as a dollar value to four decimal places) calculated in respect of the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but excluding) the date of announcement of the takeover bid or the scheme of arrangement plus, if it is a positive amount, 50% of the amount calculated by subtracting that VWAP from the Offer Price as at the date when the relevant Issuer Exchange Notice or Holder Exchange Notice was issued under clause 7.1(a)(iii) or 8.1(a)(ii) (and if both an Issuer Exchange Notice and a Holder Exchange Notice have been issued in respect of the same ABC Notes, the date that the Holder Exchange Notice was issued shall be the relevant date).

In the case of non-cash consideration, the calculations to be performed under this clause 10.2(b) will be performed using the value of the Offer Price as reasonably determined by the Issuer, who may rely on the advice of an investment bank, accounting firm or other professional financial adviser in this regard.

In the event of a related series of takeover bids and/or schemes of arrangement, the date of announcement of the takeover bid or the scheme of arrangement (for the purposes of calculating the VWAP) is the date of announcement of the first of the related series of takeover bids and/or schemes of arrangement, provided that first takeover bid or scheme of arrangement is of a type referred to in clause 13.8. The Directors will determine, acting reasonably, whether takeover bids and/or schemes of arrangement are related, having regard to factors including the identity or identities of the proponent or proponents, that the takeover bids and/or schemes of arrangement are in competition to each other or the timeframe in which they are proposed.

10.3 Adjustments to VWAP

For the purposes of calculating VWAP:

- (a) Where, on some or all of the Business Days in the Reference Period or the period specified in clause 10.2(b)(ii) (as applicable) (each a **Measurement Period**), Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and ABC Notes will convert into Ordinary Shares after the date those Ordinary Shares no longer carry that dividend, distribution or entitlement, then the VWAP on the Business Days on which those shares have been quoted cum dividend, cum distribution or cum entitlement shall be reduced by an amount equal to:
- (i) in the case of a dividend or other distribution, the amount of that dividend or other distribution per Ordinary Share including, if the dividend or other distribution is franked, the amount per Ordinary Share that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person resident in Australia under the Tax Act;
 - (ii) in the case of an entitlement that is not a dividend or other distribution under clause 10.3(a)(i) and which is traded on ASX on any of those Business Days, the VWAP of all such entitlements sold on ASX during the Measurement Period on the Business Days on which those entitlements were traded; or
 - (iii) in the case of an entitlement that is not a dividend or other distribution under clause 10.3(a)(i) and which is not traded on ASX during the Measurement Period, the value of the entitlement per Ordinary Share as reasonably determined by the Directors,

(in each case **Cum Value**).

- (b) Where, on some or all of the Business Days in the Measurement Period, Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement, and ABC Notes will convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend, ex distribution or ex entitlement shall be increased by the Cum Value.
- (c) Where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during a Measurement Period, the VWAP shall be adjusted by the Directors as they consider appropriate. Any adjustment made by the Directors will constitute an alteration to these Terms of Issue and will be binding on all Holders and these Terms of Issue will be construed accordingly. Any such adjustment will be promptly notified to all Holders.

10.4 Exchange into stapled security

Where the Ordinary Shares are stapled to shares, units or interests in a company, unit trust, managed investment scheme or other entity or business enterprise to form stapled securities, then despite anything else in these Terms of Issue, on Conversion of ABC Notes into Ordinary Shares, the following steps will occur:

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- (a) the Issuer will issue to the Holder the appropriate number of Ordinary Shares on application of the Face Value;
 - (b) subject to necessary approvals, the Issuer will immediately undertake a capital return on these newly issued Ordinary Shares. The quantum of the capital return will be automatically applied for the subscription of the relevant number of shares, units or interests in the Stapled Entity; and
 - (c) the quantum of the capital return will be the relative proportion of the Face Value attributable to the relevant number of shares, units or interests in the Stapled Entity (based on the market value of the Stapled Entity compared to the market value of the Issuer).

11. REDEMPTION OF ABC NOTES

11.1 Redemption by the Issuer

- (a) The Issuer must Redeem any ABC Notes remaining on issue on the Final Exchange Date for the Redemption Amount under this clause 11.1.
- (b) On Redemption, the Issuer shall Redeem on the relevant Exchange Date every ABC Note which the Issuer has elected to, or is required to, Redeem. For each ABC Note that is being Redeemed, an amount equal to the Redemption Amount will be paid in cash by the Issuer to the relevant Holders (in accordance with clause 5) on the relevant Exchange Date.
- (c) The Redemption Amount in respect of each ABC Note will be the Face Value except where Redemption has resulted from a Takeover Event.
- (d) Where Redemption has resulted from a Takeover Event, the Redemption Amount in respect of each ABC Note will be the higher of:
 - (i) the Face Value; and
 - (ii) the value of the Conversion Ratio multiplied by the Offer Price as at the date when the relevant Issuer Exchange Notice or Holder Exchange Notice was issued under clause 7.1(a)(iii) or 8.1(a)(ii) (and if both an Issuer Exchange Notice and a Holder Exchange Notice have been issued in respect of the same ABC Notes, the date that the Holder Exchange Notice was issued shall be the relevant date).
- (e) If required by the Issuer, where the Issuer is entitled to Redeem any ABC Notes under these Terms of Issue, the Holder must:
 - (i) vote in favour (subject to compliance with the law and to the extent the Holder is entitled to do so) or otherwise abstain from any required resolution;
 - (ii) provide all documentation and execute any authorisation or power necessary; and
 - (iii) take all other action necessary or desirable,to effect the Redemption of those ABC Notes.

11.2 Redemption by Holders on Acceleration Events

- (a) A Holder may elect to Redeem all or some of the ABC Notes held by it by giving a Holder Redemption Notice to the Issuer during the period from the Holder becoming aware of an Acceleration Event until 60 Business Days after the publication of an Acceleration Event Notice under clause 11.2(e).
- (b) The Redemption Amount under this clause 11.2 in respect of each ABC Note is the Face Value.
- (c) To be valid, a Holder Redemption Notice must:

- (i) indicate that the Holder is giving notice under this clause 11.2 and indicate which sub-clause of clause 11.2(d) applies; and
- (ii) apply to a minimum of the lesser of:
- A) 20 ABC Notes; and
 - B) the number of ABC Notes registered in the name of the Holder who issues the Holder Redemption Notice.
- (d) **Acceleration Event** means the occurrence of any of the following unless the Trustee has determined, acting reasonably, that the relevant occurrence does not prejudice the interests of Holders:
- (i) the Issuer resolves in general meeting to be wound up;
 - (ii) a provisional liquidator is appointed to the Issuer;
 - (iii) an application or order is made, or a resolution is passed for the Winding Up of the Issuer (other than an application or order to effect a solvent reconstruction, an application which, in the reasonable opinion of the Trustee, is of a frivolous nature, or an application, order or resolution that is stayed or suspended within 14 days);
 - (iv) an administrator of the Issuer is appointed under the Corporations Act or a resolution to appoint an administrator is passed;
 - (v) the Issuer executes a deed of company arrangement; or
 - (vi) the Issuer ceases to be listed on ASX.
- (e) As soon as practicable after becoming aware of an Acceleration Event, the Issuer must notify the Holders and the Trustee of the Acceleration Event by publishing an Acceleration Event Notice and by giving notice to the Trustee in accordance with the Trust Deed.
- (f) If the Issuer receives a Holder Redemption Notice, the Issuer must, on the Exchange Date, Redeem the ABC Notes referred to in that Holder Redemption Notice and pay to the Holder (in accordance with clause 5) a cash payment equal to the Redemption Amount for each ABC Note being Redeemed.
- (g) If a Holder serves a Holder Redemption Notice in accordance with clause 11.2, the Exchange Date will be 25 Business Days after (but excluding) the last date that Holders may serve a Holder Redemption Notice to the Issuer unless the Issuer determines an earlier or later Exchange Date as notified to the Holders having regard to the best interests of the Holders (collectively) and the relevant event.

12. TRANCHE B NOTES

12.1 Tranche B Notes

- (a) A Tranche B Note may not be Converted.
- (b) An ABC Note will cease to be a Tranche B Note and will be designated as a Tranche A Note at such time as approval or ratification has been given to the issue of that Tranche B Note by the members of the Issuer for the purposes of ASX Listing Rule 7.1 or 7.4.

12.2 Redemption of Tranche B Notes

- (a) The Issuer must Redeem any Tranche B Notes remaining on issue on the Tranche B Note Redemption Date for the Redemption Amount under clause 11.1.
- (b) Where the Issuer Redeems Tranche B Notes pursuant to clause 12.2(a) the Exchange Date will be the Tranche B Note Redemption Date.

13. GENERAL RIGHTS ATTACHING TO ABC NOTES

13.1 Ranking

- (a) ABC Notes are unsecured obligations of the Issuer and rank equally and rateably without preference among themselves and the Redeemable Converting Preference Shares on issue as at the date of the Prospectus, and are subordinated to all Other Creditors of the Issuer.
- (b) The claims of the Holders of the ABC Notes will, in the event of the Winding Up of the Issuer, be subordinated in right of payment to the claims of the Other Creditors. Accordingly, in the event of the Winding Up of the Issuer:
 - (i) the Other Creditors will be paid in full before any payment is made to the Holders in respect of the ABC Notes; and
 - (ii) claims of the Holders will rank at least pari passu in right of payment with all direct, subordinated, unconditional and unsecured obligations, present and future, of the Issuer (other than in respect of the Other Creditors).
- (c) Clause 13.1(b) will not apply to any amounts:
 - (i) payable by the Issuer to the Trustee for its own account pursuant to the Trust Deed; or
 - (ii) to which the Trustee is entitled for its own account pursuant to any right in the Trust Deed or at law, and nothing in clause 13.1(b) will limit or restrict the rights of the Trustee to recover, receive and retain any such amounts or to take any steps, actions or proceedings to recover, receive and retain any such amounts. The Trustee is not required to turn over any such amounts it has received to any other person.
- (d) The Issuer and the Trustee and each Holder acknowledge that the arrangement described in clause 13.1(b) is a “debt subordination” for the purposes of section 563C of the Corporations Act with respect to the entire outstanding amount of the ABC Notes in the circumstances described in that paragraph.
- (e) Ordinary Shares issued to Holders on Conversion of ABC Notes will rank pari passu from the Exchange Date in all respects with all other Ordinary Shares then on issue.

13.2 Coupon

Until Conversion or Redemption, Coupon payments (including any Deferred Coupon and Accrued Interest thereon) on ABC Notes:

- (a) rank in priority to Ordinary Shares for the payment of distributions or dividends; and
- (b) rank equally with the Redeemable Converting Preference Shares.

13.3 No set off

Any amount due to a Holder in respect of ABC Notes may not be set off against any claims by the Issuer on the Holder.

13.4 Return of capital

Until Conversion or Redemption, if there is a return of capital on a Winding Up, Holders will be entitled to receive out of the assets of the Issuer, in respect of each ABC Note held, a cash payment (**Liquidation Sum**) equal to the sum of:

- (a) the amount of any Outstanding Coupon Amount; and
- (b) the Face Value,

before any return of capital is made to holders of Ordinary Shares or any other class of securities ranking behind ABC Notes.

13.5 Shortfall on Winding Up

If, upon a return of capital on a Winding Up, there are insufficient funds to pay in full the amounts referred to in clause 13.4 and the amounts payable in respect of any other securities in the Issuer ranking as to such return of capital equally with ABC Notes on a Winding Up, Holders and the holders of any other such equally ranking securities will share in any distribution of assets of the Issuer in proportion to the amounts to which they respectively are entitled.

13.6 No participation in surplus assets

ABC Notes do not confer on their Holders any further right to participate in the surplus assets of the Issuer on a Winding Up beyond payment of the Liquidation Sum.

13.7 Further other issues

The Directors are at all times authorised to issue further ABC Notes, subordinated notes (whether redeemable or not), debt securities or capital securities which rank ahead of, equally with or behind ABC Notes, whether in respect of distributions or dividends (whether cumulative or not), return of capital on a Winding Up or otherwise.

13.8 Takeovers and schemes of arrangement

- (a) A Takeover Event occurs when:
- (i) a takeover bid is made for the Ordinary Shares, acceptance of which is recommended by the Directors;
 - (ii) the Directors recommend an arrangement under Part 5.1 of the Corporations Act in respect of the Ordinary Shares which, if implemented, will result in a person having a relevant interest in more than 50% of the Ordinary Shares; or
 - (iii) a person acquires a relevant interest in more than 50% of the Ordinary Shares.
- (b) The Directors will use reasonable endeavours to procure that Ordinary Shares issued upon Conversion as a result of a Holder serving a Holder Exchange Notice pursuant to clause 8.1(a)(ii) may participate in the takeover bid or arrangement made under Part 5.1 of the Corporations Act or similar transaction.

13.9 Sale of Core Assets

A Sale of Core Assets Event occurs when the Group has sold, or publicly announces its intention to sell, the Core Assets pursuant to a legally binding agreement, other than because of an Acceleration Event.

13.10 Participation in new issues

Until ABC Notes are Converted, they will confer no rights to subscribe for new securities in the Issuer or to participate in any bonus issues.

13.11 No further participation

ABC Notes do not confer on their Holders any right to participate in profits or property except as set out in these Terms of Issue.

14. NO VOTING RIGHTS

Holders have the same rights as holders of Ordinary Shares to receive accounts, reports and notices of general meetings of the Issuer and to attend any general meeting of the Issuer. Holders will not, however, be entitled to speak or to vote at any general meeting of the Issuer unless provided for in the ASX Listing Rules or the Corporations Act.

15. QUOTATION

- (a) Subject to clause 15(b), the Issuer must use all reasonable endeavours to furnish all such documents as are reasonably necessary to apply, at its own expense, for quotation of ABC Notes on ASX and of all Ordinary Shares issued upon Conversion on each stock exchange on which the other Ordinary Shares are quoted on the date of Conversion.
- (b) The Issuer will not be required to apply for quotation of any Tranche B Note that has not been designated as a Tranche A Note under clause 12.1(b) after the date upon which an extraordinary general meeting of the Issuer is held to approve or ratify the issue of the Tranche B Notes for the purposes of ASX Listing Rule 7.4.

16. AMENDMENTS TO THE TERMS OF ISSUE

16.1 Amendment without consent

Subject to complying with all applicable laws and providing the Trustee with a copy of the alteration and the alteration is not altering or conflicting with any rights and obligations of the Trustee, the Issuer may by an instrument in writing and without the authority, assent or approval of Holders, amend or add to these Terms of Issue if such amendment or addition is, in the opinion of an independent law firm or counsel appointed by the Issuer:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error;
- (c) made to comply with any law, the ASX Listing Rules or the listing or quotation requirements of any stock exchange on which the Issuer proposes from time to time to seek quotation of the ABC Notes;
- (d) convenient or desirable for the purpose of obtaining or maintaining the listing or quotation of the ABC Notes (including the deletion of any clauses which are not required following such listing or quotation);
- (e) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders; or
- (f) made to permit the ABC Notes to be lodged, traded or settled on a clearing system other than the Austraclear System.

The Trustee shall not be required to approve or comment on any such alteration.

16.2 Amendment with Special Resolution

Without limiting clause 16.1, the Issuer may by an instrument in writing alter these Terms of Issue if the alteration has been approved by Holders by a Special Resolution and provided that the alteration does not alter or conflict with, without its consent, any of the rights and obligations of the Trustee. The Trustee shall not be required to approve or comment on any such alteration.

17. ENFORCEMENT

17.1 Right to enforce

Subject to this clause 17, Holders will have a right to request enforcement of these Terms of Issue, by way of specific performance, declaration or injunction only, by the Trustee in the following circumstances:

- (a) where any Coupon or Outstanding Coupon Amount has not been paid within 20 Business Days of it becoming due and payable in accordance with clause 4;
- (b) where the Issuer fails to Exchange ABC Notes within 20 Business Days of it being required to do so; or

- (c) where the Issuer fails to pay any Redemption Amount within 20 Business Days of it becoming due and payable.

The deferral of any payment in accordance with clause 4.4 does not give Holders a right to enforce under this clause 17.1

17.2 Trustee not bound to enforce

The Trustee is not bound to take any action referred to in clause 17.1 unless:

- (a) it has been:
 - (i) so requested in writing by Holders holding 25% or more of ABC Notes on issue; or
 - (ii) directed by a Special Resolution;
- (b) its liability is limited in a manner consistent with clause 9 of the Trust Deed; and
- (c) it is indemnified to its satisfaction by the Issuer against all costs, charges, liabilities and expenses which may be incurred by it in connection with that action.

17.3 No remedy against the Issuer

Except as specifically provided by this clause 17, no remedy against the Issuer shall be available to the Trustee or the Holders whether for the recovery of amounts owing in respect of any breach by the Issuer of any of its obligations under the Trust Deed (including these Terms of Issue) or otherwise (other than the payment of the costs, charges, liabilities, expenses, remuneration of or other amounts due to the Trustee).

17.4 Holders' right to enforce

No Holder shall be entitled to proceed directly against the Issuer to enforce any right or remedy under or in respect of any ABC Notes unless the Trustee, having become bound to proceed, fails to do so within 30 Business Days and such failure shall be continuing. In such case any such Holder may, upon giving an indemnity satisfactory to the Trustee, in the name of the Trustee (but not otherwise), itself institute proceedings against the Issuer for the relevant remedy to the same extent (but not further or otherwise) that the Trustee would have been entitled to do so.

18. INTERPRETATION

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms of Issue and the Constitution, then, to the maximum extent permitted by law, the provisions of these Terms of Issue will prevail.
- (b) Unless otherwise specified, the Directors may exercise all powers of the Issuer under these Terms of Issue that are not, by the Corporations Act or by the Constitution, required to be exercised by the Issuer in general meeting.
- (c) Notices may be given by the Issuer to a Holder in the manner prescribed by the Constitution for the giving of notices to members of the Issuer and the relevant provisions of the Constitution apply with all necessary modification to notices to Holders.
- (d) Unless otherwise specified, a reference to a clause is a reference to a clause of these Terms of Issue.
- (e) If a calculation is required under these Terms of Issue, unless the contrary intention is expressed, the calculation will be rounded to four decimal places.
- (f) Calculations, elections and determinations made by the Issuer under these Terms of Issue are binding on Holders in the absence of manifest error.
- (g) Definitions and interpretation under the Constitution will also apply to these Terms of Issue subject to clause 18(a).

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- (h) The terms 'takeover bid', 'relevant interest' and 'arrangement' when used in these Terms of Issue have the meanings given in the Corporations Act.
- (i) A reference to a statute, ordinance, code or other law includes all statutes, ordinances, codes or other law amending, consolidating or replacing it, whether passed by the same or another government agency with legal power to do so, and a reference to a statute, ordinance, code or other law includes regulations and other instruments under it.
- (j) If an event under these Terms of Issue must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day.
- (k) A reference to \$ or cents in these Terms of Issue is a reference to Australian currency.
- (l) A reference to time in these Terms of Issue is a reference to Australian Eastern Standard Time.

In these Terms of Issue, the following bold words and expressions have the following meanings:

ABC Note means an unsecured subordinated convertible note issued by the Issuer according to the Trust Deed and the Terms of Issue.

Acceleration Event has the meaning set out in clause 11.2(d)

Acceleration Event Notice means a notice in a newspaper which is generally available in each Australian state and territory which specifies the particular Acceleration Event.

Accounts means profit and loss accounts, balance sheets and cash flow statements (in each case prepared in accordance with current accounting practice) together with any statements, reports (including any directors' and auditors' reports) and notes attached to or intended to be read with any of them.

Accounting Event means a determination by the Directors following the receipt by the Issuer of an opinion from a reputable and experienced accounting adviser in Australia, to the effect that, as a result of any amendment to, clarification of, or change (including any announcement of a proposed change) in, any international accounting standards or Australian equivalent international accounting standards which is announced on or after the Allotment Date, the ABC Notes would be reclassified on the Issuer's balance sheet.

Accrued Interest mean the amount, which remains unpaid, that has accrued in accordance with clause 4.5 on a Deferred Coupon.

Allotment Date means the date on which ABC Notes are first issued, unless the Directors, acting reasonably, determine otherwise in relation to any further issue of ABC Notes under clause 13.7.

ASX means ASX Limited (ABN 98 008 624 091).

ASX Listing Rules means the listing rules of ASX from time to time with any modification or waivers in their application to the Issuer, which ASX may grant.

ASX Market Rules means the operating rules of ASX from time to time with any modification or waivers in their application to the Issuer, which ASX may grant.

Business Day means a business day as defined in the ASX Listing Rules.

Change in Law Event means a determination by the Directors following the receipt by the Issuer of an opinion from a reputable legal counsel that, as a result of any amendment to, clarification of, or change (including any announcement of a proposed change) in, any law or regulation affecting securities laws of Australia or any official administrative pronouncement or action or judicial decision interpreting or applying such laws or regulations which amendment, clarification or change is effective or pronouncement, action or decision is announced on or after the Allotment Date, additional requirements would be imposed on the Issuer, which requirements the Directors determine at their sole discretion to be unacceptable.

Constitution means the constitution of the Issuer as amended from time to time.

Conversion has the meaning given in clause 10 and **Convert** and **Converted** have a corresponding meaning.

Conversion Discount means 2.5% initially, and then the discount determined from time to time under clause 6.1(b).

Conversion Ratio has the meaning given in clause 10.2.

Core Assets means the assets of the Group contributing, cumulatively, more than 50% of the Group's EBITDA.

Corporations Act means Corporations Act 2001 (Cth).

Coupon has the meaning given in clause 4.1.

Coupon Payment Date has the meaning given in clause 4.3.

Coupon Period means a period from (and including) either the Allotment Date or a Coupon Payment Date (whichever is the later) until (but not including) the following Coupon Payment Date.

Coupon Rate has the meaning given in clause 4.1.

Cum Value has the meaning given in clause 10.3.

Deemed Reset has the meaning given in clause 6.2.

Deferred Coupon means in respect of an ABC Note that part of any Coupon on that ABC Note that has been deferred in accordance with clause 4.4.

Deferral Notice means a notice given to the Trustee and Holders in accordance with clause 4.4(c).

Directive means a law, a treaty, official directive, request, regulation, guideline or policy (having the force of law or compliance with which is in accordance with the general practice of responsible participants in the market concerned).

Director means a director of the Issuer.

EBITDA means the operating profit (which includes interest income) of the Group (on a consolidated basis) for the immediately preceding two six-monthly financial periods for which results have been publicly announced, before:

- (a) Interest Expense;
- (b) Tax paid;
- (c) significant items (including but not limited to profits or losses on disposal of assets outside the ordinary course of business);
- (d) extraordinary items; and
- (e) depreciation and amortisation.

Exchange means Conversion of ABC Notes into Ordinary Shares in accordance with clause 10 or the Redemption of ABC Notes for the Redemption Amount in accordance with clause 11.

Exchange Date has the meaning given in clauses 7.2, 8.2, 11.2(g), and 12.2(b) as applicable.

Face Value has the meaning given in clause 2.

Final Coupon Deferral Date means the first to occur of:

- (a) a Reset Date;
- (b) an Exchange Date in respect of ABC Notes being Exchanged on that date; and
- (c) the Final Exchange Date

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Final Exchange Date means the date that is 9 years from the Allotment Date, or, in the event of a Winding Up of the Issuer, the date the Winding Up commences.

Following Business Day Convention has the meaning given to that term in the 2000 International Swaps and Derivatives Association (ISDA) definitions.

Group means the Issuer and each Related Body Corporate of the Issuer.

Holder means a person whose name is for the time being registered in the Register as the holder of an ABC Note.

Holder Exchange Notice means a notice given by a Holder to the Issuer under clause 8.

Holder Redemption Notice means a notice given by a Holder to the Issuer under clause 11.2.

Interest Expense for a period means all interest and amounts in the nature of interest or of similar effect to interest paid or payable by the Group, on a consolidated basis, as shown in the Accounts for that period.

Issuer means A.B.C. Learning Centres Limited (ABN 93 079 736 664).

Issuer Exchange Notice means a notice given by the Issuer to a Holder under clause 7.1.

Liquidation Sum has the meaning given in clause 13.4.

Margin has the meaning given in clause 4.1.

Offer means the invitations made pursuant to the Prospectus for persons to subscribe for ABC Notes.

Offer Price means, in respect to a Takeover Event, the offer price under the takeover bid or the consideration under the scheme of arrangement.

Ordinary Share means an ordinary fully paid share in the capital of the Issuer.

Other Creditors means all creditors of the Issuer other than:

- (a) Holders (in their capacity as such); and
- (b) creditors whose claims against the Issuer rank equally with or behind the claims of Holders.

Outstanding Coupon Amount means in relation to an ABC Note at any time the aggregate of:

- (a) any unpaid Deferred Coupon in respect of that ABC Note at that time; and
- (b) any unpaid Accrued Interest in respect of that ABC Note at that time.

Prospectus means the prospectus issued by the Issuer pursuant to which the Offer is made.

Publicly Known means information that is "generally available" as defined in section 1042C of the Corporations Act.

Record Date means, for a payment of a Coupon or any Outstanding Coupon Amount on that Coupon, 7.00pm (Brisbane time) on the date which is 7 calendar days before the Coupon Payment Date for that Coupon or such other date and time as may be required by ASX from time to time.

Redeemable Converting Preference Shares means the redeemable preference shares issued by the Issuer on 4 December 2003 at an issue price of \$5.00 each.

Redemption has the meaning given in clause 11 and **Redeem** and **Redeemed** have a corresponding meaning.

Redemption Amount has the meaning given in clause 11.

Reference Period means the period of 20 Business Days on which trading in the Ordinary Shares took place immediately preceding but not including the Exchange Date.

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Reference Rate means for each Coupon Period, the rate, expressed as a percentage per annum, calculated as the average mid rate for bills of a term of 6 months which average rate is displayed on the Reuters page designated BBSW (or any page which replaces that page) on the first Business Day of the Coupon Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10:30am on that date, the rate specified in good faith by the Issuer at or around that time on that date having regard, to the extent possible, to:

- (a) the rate otherwise bid and offered for bills of that term or for funds of that tenor displayed on that page BBSW (or any page which replaces that page) at that time on the date; and
- (b) if bid and offer rates for bills of that terms are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time, initially, and then the reference rate determined from time to time under clause 6.1(b) provided that such reference rate shall be either:
 - (c) an Australian dollar swap reference rate quoted on Reuters page IRSW (or any page that replaces that page) of an approximately equivalent term to the period until the next Reset Date; or
 - (d) an Australian bank bill swap rate quoted on Reuters page designated BBSW (or any page which replaces that page).

Register means the register of ABC Notes established and maintained by the Registrar.

Registrar means the registrar in relation to the ABC Notes that is appointed by the Issuer from time to time.

Related Body Corporate has the meaning it has in the Corporations Act.

Reset Date means the date with effect from which changes to certain of these Terms of Issue may be made by the Issuer, the first such date occurring on 13 June 2010 and then:

- (a) the date specified as the subsequent Reset Date; or
- (b) the third anniversary of the previous Reset Date.

Reset Notice means a notice given by the Issuer to Holders under clause 6.1(a).

Sale of Core Assets Event has the meaning given in clause 13.9.

Sale of Core Assets Event Notice has the meaning given in clause 9.1.

Special Resolution means a resolution passed at a separate meeting of Holders by at least 75% of the votes validly cast by Holders in person or by proxy and entitled to vote on the resolution.

Specified Office means the address of the relevant party specified in the most recent information memorandum for the programme or any other address notified to Holders from time to time.

Stapled Entity means, where the primary class of securities in the Issuer are stapled securities, the company, unit trust, managed investment scheme or other entity or business enterprise in which shares, units or interests are issued (as the case may be), which such shares, units or interests are stapled to Ordinary Shares to form stapled securities.

Takeover Event has the meaning given in clause 13.8.

Takeover Event Notice has the meaning given in clause 9.1.

Tax includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a government agency, and any related interest, penalty, charge, fee or other amount.

Tax Act means:

- (a) the Income Tax Assessment Act 1936 (Cth) or the Income Tax Assessment Act 1997 (Cth) as the case may be, as amended, and a reference to any section of the Income

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Tax Assessment Act 1936 (Cth) includes a reference to that section as rewritten in the Income Tax Assessment Act 1936 (Cth); and

- (b) any other Act setting the rate of income tax payable and any regulation promulgated thereunder.

Tax Event means a determination by the Directors following the receipt by the Issuer of an opinion from a reputable legal counsel or tax adviser in Australia, experienced in such matters to the effect that, as a result of:

- (a) any amendment to, clarification of, or change (including any announced proposed change), in the laws or treaties or any regulations of Australia or any political subdivision or taxing authority of Australia affecting taxation;
- (b) any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations) (**Administrative Action**); or
- (c) any amendment to, clarification of, or change in, the pronouncement that provides for a position with respect to an Administrative Action that differs from the current generally accepted position,

(in each case, by any legislative body, court, governmental authority or regulatory body, irrespective of the manner in which such amendment, clarification, change or Administrative Action is made known), which amendment, clarification, change or Administrative Action is effective or such pronouncement or decision is announced on or after the Allotment Date, there is

- (d) more than an insubstantial risk that the Issuer would be exposed to more than a de minimis increase in its costs in relation to ABC Notes as a result of increased taxes, duties or other governmental charges or civil liabilities or costs associated with administration of ABC Notes; or
- (e) more than an insubstantial risk that the ABC Notes will not be treated as debt interests under the Tax Act and/or the Coupon will no longer be deductible under the Tax Act.

Terms of Issue means these terms of issue for ABC Notes.

Tranche A Notes means ABC Notes that are not Tranche B Notes.

Tranche B Notes means ABC Notes that are:

- (a) designated as such by the Issuer; and
- (b) equal to the number of ABC Notes for which approval of the members of the Issuer under ASX Listing Rule 7.1 would be required before Conversion as at 29 May 2007.

Tranche B Note Redemption Date means the date that is 3 months after the date upon which an extraordinary general meeting of the Issuer is held to approve or ratify the issue of the Tranche B Notes for the purposes of ASX Listing Rule 7.1 or 7.4.

Trust means the Trust constituted by the Trust Deed.

Trust Deed means the deed dated on or around the date of the Prospectus between the Issuer and the Trustee.

Trustee means Australian Executor Trustees Limited (ABN 84 007 869 794) in its capacity as trustee of the Trust, and includes any replacement trustee of the Trust.

WVAP means, subject to any adjustments under clause 10.3, the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any transaction defined in the ASX Market Rules as 'special', crossings prior to the commencement of the open session state, crossings during overnight trading, overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

Winding Up means the appointment of a liquidator or provisional liquidator of the Issuer (and where the appointment is made by a court, by a court of competent jurisdiction in Australia), and Wind Up has a corresponding meaning.

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