CFK Childcare Centres Limited
ABN 75 102 498 797

ASX ANNOUNCEMENT
CFK CHILDCARE CENTRES LIMITED ("CFK") (ASX:CFK)
APPOINTMENT OF VOLUNTARY ADMINISTRATOR

18 November 2008

The board of CFK (CFK or Company) refers to its announcement dated 7 November 2008 and advises that it has today appointed Michael James Humphris, Andrew Peter Fielding and Geoffrey Trent Hancock of BDO Kendalls as voluntary administrators of CFK under section 436A of the Corporations Act 2001.

The current board and senior management team were appointed in September 2007 with a brief to turn the operational performance of the business around – at that stage the Company was losing over $400,000 per month.

Despite the efforts of management (which has improved the operational performance) the financial performance of the business as is has not reached a point where the Company is trading on a cashflow positive basis. As previously announced, the Company intended a restructure involving a sale of assets and acquisition of profitable centres using shares, but for the reasons outlined below it has not been possible to implement the restructure. Given the Board's obligations under the Corporations Act, and despite the Board's efforts in finding a solution, there is no alternative but to appoint a voluntary administrator.

It has not been possible to complete the proposed restructure of the Company for the following reasons:

ABC Learning Centres Limited (ABC)
As stated in the announcement dated 7 November 2008, CFK has been unable to complete the sale of childcare centres to ABC for $8.5 million. As a result, it cannot meet one of the preconditions to any standstill arrangement with its banker NAB, and cannot complete its 2008 Financial Report.

Given the ongoing uncertainty concerning the sales to ABC and the childcare market generally, and the inability to reach a standstill agreement with NAB, entities associated with the director Doug Lomas have advised that they are forced to withdraw continued financial support, and terminate a working capital loan. This loan is vital to the ongoing operation of the current businesses, which is cashflow negative. The continued support of the Lomas Group was also a precondition to any standstill agreement with NAB.

The uncertainty bought to the childcare market after months of speculation about the financial health of the largest operator ABC, followed by the appointment of administrators to that Company has materially impacted CFK's ability to sell other centres and has caused a devaluation of CFK's assets.

Condition of business in 2007

As stated above, the current Board were appointed in September 2007 to turn around the Company's business. The depth of problems with the business, including significant loss making, lack of investment in centres, poor management systems and declining occupancy rates, was not apparent to the Board at that time they joined. Despite raising $3.5 million in new equity, $2m in subordinated secured loans and $1.5m in unsecured loans as well as $8.3 million in asset sales, it has not been possible to adequately stem losses. Further, CFK has been unable to complete its proposed restructuring through an inability to reach final agreement with all stakeholders who had various rights of approvals and consents.

Global downturn

The global financial downturn has impacted the ability of the Company to continue to finance its operations given that investors have become much more risk averse.

The Board is disappointed that CFK's operations cannot continue in their current form, particularly given the hard work of its staff and loyalty of its parents to its childcare centres. The Board believes that there is a core of centres around which can be built a profitable operation, and that the position of ABC offers increased opportunity to grow CFK's business. However CFK simply does not have the means to finance its current operations to enable this to occur without support from its current shareholders, bankers or another alternative financier. The Board has determined that, following the collapse of ABC, the required support is unlikely to be given.

The Board will work with the administrator with a view to keeping open as many centres as is possible. In recent times the company has also received a number of proposals for the purchase of its centres and remains hopeful that one of these transactions can be completed in the short term.

Parents should contact their local centre for further information.