



29 August 2005

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

Announcement of 2005 result

DELIVERS ON 2005 PROFIT FORECAST AND UPGRADES FORECAST FOR 2006

A.B.C Learning Centres Ltd (ABC) today announced an operating profit after tax of \$52.3 million for the year ending 30 June 2005. The adjusted operating profit after tax of \$37.8 million (adjusting for a once off \$14.5 million capital gain relating to the sale of 8.2 million shares ABC held in itself following the acquisition of Child Care Centres Australia Ltd (CCA) in December 2004) is an increase of 77% over the previous corresponding period.

ABC has **upgraded** its 2006 forecast for operating profit after tax to \$88.0 million from the forecast of \$77.6 million outlined in the Scheme Booklet in relation to the merger by scheme of arrangement between CCA and ABC (Scheme Booklet). The increase of approximately \$10 million will result from ABC optimising its existing centres and continuing to acquire additional centres following the successful merger.

FINANCIAL HIGHLIGHTS

12 months ended 30 June	2004	2005				
		Reported	Adjustments	Pro forma	Change	Scheme forecast
Revenue	\$81.5m	\$292.7m	-\$123.5m ¹	\$169.2m	107.6%	
EBITDA	\$34.6m	\$84.7m	-\$14.5m	\$70.2m	102.9%	\$68.2m
Operating profit before tax	\$27.7m	\$68.1m	-\$14.5m	\$53.6m	93.5%	\$51.0m
Operating Profit after tax (pre-goodwill)	\$21.4m	\$57.1m	-\$14.5m	\$42.6m	99.1%	\$40.4m
Operating Profit after tax	\$21.4m	\$52.3m	-\$14.5m	\$37.8m	76.6%	\$34.5m
Diluted earnings per share – adjusted ²	16.2 cents	20.4 cents			25.9%	
Final Dividend – fully franked	5.5 cents	6.0 cents			9.1%	
Full Year Dividend – fully franked	10.0 cents	11.0 cents			10.0%	
No. of childcare centres	327	660			101.8%	

¹ Comprises \$69.0 million of CCA and Peppercorn Investment Fund (PIV) wage costs, \$44.7 million of revenue on sale of ABC shares and \$9.8 million cost of land and licenses sold

² Excludes goodwill amortisation and capital gain on sale of shares

After reporting Peppercorn Management Group Limited (Peppercorn) and CCA earnings on a consistent basis with those of ABC, revenue increased by 107% over 2004. Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 103% over 2004. The small drop in margin over the period was attributable to the initial contribution from lower margin Peppercorn / CCA centres as outlined in Scheme Booklet forecasts.

Depreciation was higher than the Scheme Booklet forecast due to centre renovations running ahead of schedule. Goodwill amortisation was lower due to a reduction in carrying value of goodwill associated with ABC's acquisition of Peppercorn. Interest expense was lower due to \$1.5 million of interest being capitalised on development projects. The tax expense was lower due to accelerated tax depreciation and the benefit of the new tax consolidation rules on transactions such as the sale of ABC shares. These differences combined with a higher EBITDA of \$2.0 million resulted in operating profit after tax (\$37.8 million) being \$3.3 million higher than the Scheme Booklet forecast (\$34.5 million).

The CEO of Operations, Mr Eddy Groves said, "This is a fantastic result. Management and centre personnel have to be congratulated on an amazing job of bringing two cultures together which is having such a positive affect for families and children in our centres. The merger of these two businesses and their cultures has now created a child care company that is second to none in the world. The positive affects have also flowed on to our shareholders and this can be seen in the results presented today. Increases in occupancies of acquired centres and head office costs savings are now starting to flow through to the bottom line and the full impact of these will be seen in the 2006 year".

UPDATE ON MERGER INTEGRATION

Mr Groves said, "The integration of the merged businesses has progressed at an accelerated rate over the last 9 months and is now 95% complete. The majority of centre personnel have been retained from the acquired businesses. The smooth integration is a reflection of the hard work and dedication of our management and centre personnel and the strategies that have been adopted to ensure that the integration process does not impact on the quality standards for which ABC has become renowned." As part of the integration, updated IT and management systems have been rolled out to all centres which now enables ABC to have instant access to data from all centres.

During the period, ABC has reviewed all centres acquired as part of the merger as well as its existing centres, with a divestment, renovation, acquisition and development program now in place. ABC amalgamated and divested underperforming centres whilst continuing to add new centres to its portfolio.

The result has strengthened ABC's position as Australia's leading private child care operator, currently owning 680 centres. During the 2005 year, ABC acquired 398 new centres and divested 65 centres.

DIVIDEND

The Directors are pleased to declare a final dividend of 6.0 cents per share, fully franked, making a total dividend of 11.0 cents fully franked for the year.

This dividend payment is in line with ABC's historic dividend payments and increases the dividend payout ratio as a percentage of NPAT for the year due to the merger contributing to earnings for only the second half. A full year earnings contribution from the merger in 2006 will restore future dividend payout ratios to previous levels.

The record date for the dividend will be 7 September 2005 with payment scheduled for 15 September 2005.

ABC's Dividend Reinvestment Plan (DRP) will be available for use by shareholders for this dividend payment. Shares issued under the DRP will be issued at a 2.5% discount to the volume weighted average trading price for the five ASX trading days preceding and including the record date of 7 September 2005.

ANNUAL GENERAL MEETING

The Company's annual general meeting will be held on Wednesday, 23 November 2005 at the Brisbane Convention and Exhibition Centre, Merivale Street, South Brisbane. The meeting will commence at 12 noon.