



A.B.C. Learning Centres Limited

ABN 93 079 736 664

43 Metroplex Avenue, Murarie QLD 4172

PO Box 10120 Adelaide Street, Brisbane QLD 4000

Telephone: (07) 3906 2000

Facsimile: (07) 3908 2516

Website: www.childcare.com.au

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

Announcement of 2006 Result

ABC DELIVERS PROFIT GROWTH OF 172%

A.B.C. Learning Centres Limited (ABC) today announced an operating profit after tax under AGAAP¹ of \$98.7 million for the year ending 30 June 2006, up 132% on the previous year. ABC's United States of America (US) operations contributed \$4.3 million, resulting in operating profit from Australian and New Zealand operations under AGAAP of \$94.4million exceeding previous ABC guidance of \$88.0 million.

Proforma operating profit under AIFRS² was \$85.2 million, up 172% on the previous year. A reconciliation of the proforma AIFRS numbers is included as an Appendix to this media release.

Reconciliation of AGAAP vs AIFRS

Year ended 30 June (\$AUDm)	2005	2006	%
NPAT (AGAAP) – excluding US operations	42.6	94.4	122%
+ US operations NPAT		4.3	
NPAT (AGAAP)	42.6	98.7	132%
- Tax differences	(2.0)	(2.4)	
- Write-offs	(1.8)		
- Interest expense of RCPS	(3.5)	(3.5)	
- Employee share and option expenses	(4.0)	(7.6)	
Proforma NPAT (AIFRS)	31.3	85.2	172%
+ Capital gain on sale of ABC shares	14.5		
- Change under AIFRS – straight line expense of property lease payments (post-tax)	(2.3)	(4.1)	
Reported NPAT (AIFRS)	43.5	81.1	86%

Strong growth in centre numbers in Australia and New Zealand coupled with the expansion into the US market has driven an increase in operating profit after tax of 172%. The infrastructure ABC has established over the last 18 years has enabled ABC to achieve and leverage this growth and produce strong net operating cash flow of \$89.1 million.

During the year ABC diversified its business with the acquisition of the Learning Care Group in the US (settled January 2006) to become a global childcare operator. This was achieved whilst continuing to consolidate its position in the domestic market with the acquisition of Kids Campus in June 2006.

¹ AGAAP – Australian Generally Accepted Accounting Principles pre-goodwill

² AIFRS – Australian equivalents to International Financial Reporting Standards – adjusted for lease straight line expense

A.B.C. Learning Centres Chairman Sallyanne Atkinson AO said the outstanding result affirmed ABC's strategy of consolidating its market share in the Australian and New Zealand markets while positioning itself to take advantage of the opportunities presented by the large but fragmented early childhood sector in the United States.

"As we become a global early childhood organisation, our first priority remains the children in our care. ABC is creating the worlds best early childhood centres and continues to grow without compromising the quality of its services," Mrs Atkinson said.

CEO Operations (Global) Eddy Groves said the result demonstrated that ABC had been able to deliver an immediate return on invested capital even at the initial stages of its expansion into the United States. This new market is 15 times as large as the Australian market with immense opportunities for expansion.

"Through our expansion and consolidation of market share in Australia and New Zealand – including a commitment to investment in the quality of our centres – we have achieved strong operating cashflow and profitability," Mr Groves said.

"As our comprehensive program of construction and renovation of centres matures, the profitability will continue to strengthen. This commitment to the ongoing improvement to early childhood services has been undertaken both by ABC management and centre personnel who are committed to excellence".

BUSINESS OUTLOOK

2006 has been a transforming year which has seen ABC become a leading global early childhood services provider. At the same time ABC has exceeded its stated guidance of \$88.0 million AGAAP operating profit in the Australian and New Zealand market.

ABC has a strong balance sheet with a gearing percentage at 30 June 2006 of 6%. Post balance date, ABC renegotiated its banking facilities and are scheduled to complete the following transactions:

- 24 Tutor Time franchise centres (settled in August),
- 74 Children's Courtyard centres (46 Campuses to settle in September),
- Hutchison's Child Care Services Ltd, and
- An additional 200 centres in the Australian and New Zealand market (over the year).

ABC will still have funding under its current debt facilities for further expansion and this will be assisted by the strong operating cash flows being delivered by the Australian and New Zealand operations.

The US remains a significant opportunity and following the inclusion of the recently announced acquisitions ABC will still have less than 1% of the US market. ABC is concentrating its efforts in selective US States such as California and Texas both of which have larger populations than Australia respectively.

DIVIDEND

The Directors are pleased to declare a final dividend of 8.0 cents per share, fully franked, making a total dividend of 15.0 cents per ordinary share fully franked for the year.

The record date for the dividend will be 15 September 2006 with payment scheduled for 29 September 2006.

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 15 September 2006.

ANNUAL GENERAL MEETING

The Company's Annual General Meeting will be held on Wednesday, 29 November 2006 at the Brisbane Convention and Exhibition Centre, Merivale Street, South Brisbane. The meeting will commence at 12 noon.

APPENDIX - AIFRS PROFORMA FINANCIAL HIGHLIGHTS¹

Year ended 30 June	2005		2006		
	Proforma	Reported	Adjustments	Proforma	Change
(\$m – unless stated otherwise)					
Total Parent Fees	354.9			690.2	
Operating Revenue	156.8	592.2	(274.9) ²	317.3	
Other Revenue	5.3	39.3	(11.0) ³	28.3	
Total Revenue	162.1	631.5	(285.9)	345.6	
Operating Costs	(100.1)	(473.6)	286.4 ⁴	(187.2)	
EBITDA	62.0	157.9	0.5	158.4	155%
Operating profit before tax	49.1	120.4	5.9	126.3	
Operating Profit after tax	31.3	81.1	4.1	85.2	172%
Diluted earnings per share	16.5 cents	27.7 cents		29.1 cents	76%
Final Dividend – fully franked	6.0 cents	8.0 cents			
Full Year Dividend – fully franked	11.0 cents	15.0 cents			
No. of childcare centres	660	1,257			

¹ AIFRS pre straight line lease expensing

² Comprises \$211.0m of non regional management company (RMC) wage costs, \$57.4m of other income including Judius (early childhood equipment company) & NIECE (training college), and \$6.5m of employee share expenses

³ Adjustment for \$5.3m of interest revenue and \$5.7m franchise income

⁴ As per Note 2 above, plus add back \$5.8m in straight line expensing of property lease payments under AIFRS and \$5.7m in franchise income

Media enquiries:

Scott Emerson

(Mobile: 0401 99 81 81)