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Financial Result

Outlook for 2006



Highlights

ABC result reflects the full integration of previous acquisitions ...

First Half Highlights

- AIFRS NPAT of \$38.1m (\$44.0m AGAAP pre-goodwill), up 166% on pcp
- Centre numbers in Australia & New Zealand increased by 92 in H1'06 to 752 owned centres at 31 Dec 06
- Peppercorn acquired centres fully integrated into ABC with renovation program on target to be completed by end 2007
- H1'06 result demonstrates financial strength of ABC with all key financial KPI's returning to historical levels, namely
 - Annualised EBITDA per centre at \$183,000
 - Annualised ROIC up 41% to 12.4%



Highlights

... with the impact of the US expansion yet to come.

Post Reporting Date

- On target for 850 centres in Australia & NZ by 30 June 2006 vs 660 pcp
- Acquisition of Learning Care Group, Inc. provides a scaleable base for expansion into the US and Canada ... whilst acquisition is expected to be slightly EPS positive in H2'06 a short term lag effect on ROIC is expected similar to that experienced with the Peppercorn acquisition
- Relationship with AEU further strengthened by signing new Alliance Agreement and investment by ABC
- With H1'06 AGAAP (pre-goodwill) NPAT of \$44.0m ABS remains comfortable with full year guidance of \$88.0m before US operations



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Profit & Loss

Revenue growth of 113% vs EBITDA growth of 203% ... demonstrates the strength of the underlying business.

Financials - AIFRS (pre straight line expensing of property lease payments)

(\$'m)	H1'05		H1'06		% change
	Pro forma	Reported	Adj	Pro forma	
Total Parent Fees	125.5			267.3	113.0%
Operating Revenue	53.2	214.2	(95.9) ¹	118.3	122.4%
<i>Centre Margin</i>	<i>42.4%</i>			<i>44.3%</i>	
Other Revenue	1.0	5.6	(2.0) ²	3.6	260.0%
Total Revenue	54.2	219.8	(97.9)	121.9	124.9%
Operating Costs	(30.4)	(149.8)	100.1 ³	(49.7)	63.5%
EBITDA	23.8	70.0	2.2	72.2	203.4%
<i>Gross Margin</i>	<i>19.0%</i>			<i>27.0%</i>	

¹ Comprises \$70.4m of non RMC wage costs + \$25.5m of other income including Judius (early childhood equipment company) & Niece (training college)

² Adjustment for \$2.0m of interest revenue

³ As per 1, plus add back \$4.2m in straight line expensing of property lease payments under AIFRS

- Gross margins are well up on pcp and back in line with historical levels after a reduction in costs post the Peppercorn restructure
- Annualised EBITDA per centre has returned to historical levels of approx. \$183,000



Profit & Loss

NPAT 161% higher than pcp, with significant improvement in margin.

(\$'m)	H1'05		H1'06		% change
	Pro forma	Reported	Adj	Pro forma	
Depreciation	(2.3)	(4.5)	0.0	(4.5)	95.7%
Amortisation	(0.0)	(0.5)	0.0	(0.5)	
EBIT	21.5	65.0		67.2	212.6%
<i>EBIT Margin</i>	<i>17.1%</i>			<i>25.1%</i>	
Interest	(4.2)	(10.4)	2.0 ⁴	(8.4) ⁵	
PBT	17.3	54.6		58.8	239.9%
Tax	(1.6)	(16.5)	(1.3) ⁶	(17.8)	
<i>Effective Tax Rate</i>	<i>9%</i>			<i>30%</i>	
NPAT	15.7	38.1		41.0	161.1%
<i>NPAT Margin</i>	<i>12.5%</i>			<i>15.3%</i>	

⁴ Adjustment for \$2.0m of interest revenue

⁵ Includes RCPS dividend of \$2.0m (now classified as debt under AIFRS)

⁶ Tax effect of adding back \$4.2m in straight line expensing of property lease payments under AIFRS

- Profit contribution from Judius is higher in the first half, producing an increase in margins
- Childcare centre margins also tend to be seasonally higher in the first half compared to the second half



ABC LEARNING CENTRES

AIFRS Reconciliation

Reconciliation of AGAAP (pre-goodwill) vs AIFRS.

	H1'05	H1'06
Reported NPAT (AIFRS)	\$14.3m	\$38.1m
+ Change under AIFRS – straight line expensing of property lease payments (post-tax)	\$1.4m	\$2.9m
Proforma NPAT (AIFRS)	\$15.7m	\$41.0m
+ Employee share expenses	\$1.6m	\$2.4m
+ Interest expense of RCPS	\$1.8m	\$1.8m
- Tax adjustment for capital raising deferred tax asset	(\$3.7m)	(\$1.2m)
NPAT (AGAAP pre-goodwill)	\$15.4m	\$44.0m

- H1'06 AGAAP (pre-goodwill) NPAT of \$44.0m compares to FY'06 NPAT forecast of \$88.0m before US acquisition

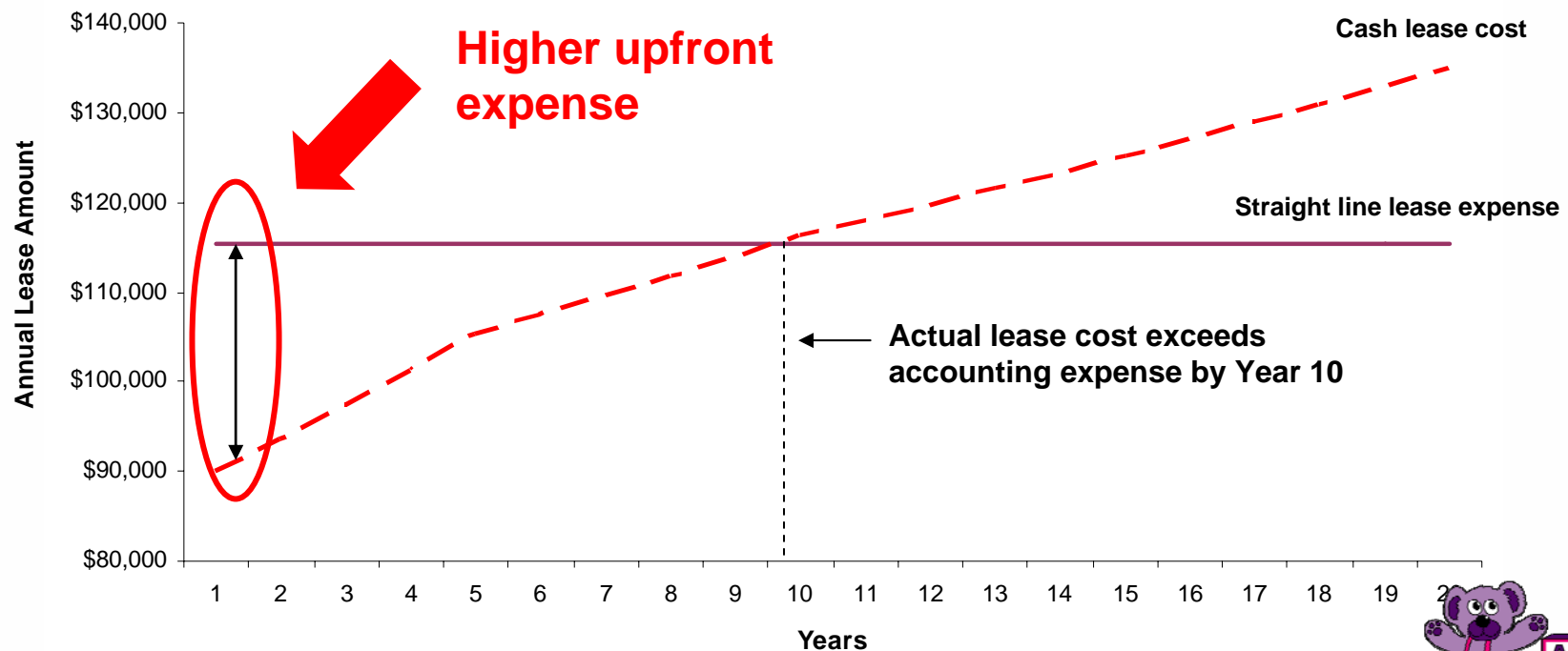


Lease Expenses

AIFRS straight line expensing of property lease payments, results in a higher upfront expense compared to the actual cash cost . . . yet increased fees are not recognised.

- ABC property leases typically contain fixed rental increases to provide certainty on future costs, however, AIFRS requires ABC to charge the cost on a straight-line basis over the term of the lease which disadvantages ABC's reported earnings

Example Centre Lease



Note: Typical fixed lease contains 4% increase for first 5 years, 2% increase for next 5, and 1.5% increase for final 10 years assuming all options are exercised



Centre Profitability

Centre profitability and ROIC have returned to historical levels following the integration of previous acquisitions.

30 June 2005

FY'05 EBITDA ¹	\$57.2m
FY'05 NPAT ¹	\$32.4m
Wt Avg Centres	494
EBITDA per centre	\$116,000
NPAT per centre	\$66,000

¹ Adjusted for approx. \$5.3m of other revenue

² Adjusted for approx. \$7.6m of other revenue for the half

FY'05 EBIT	\$57.3m
FY'05 Wt Avg Invested Capital	\$652m
ROIC	8.8%

Wt Avg Invested Capital = Equity + Debt - Cash (Average for the earnings period)

31 December 2005

H1'06 EBITDA (annualised) ²	\$129.2m
H1'06 NPAT (annualised) ²	\$71.7m
Wt Avg Centres	706
EBITDA per centre	\$183,000
NPAT per centre	\$101,000

Substantial increase in profitability

H1'06 EBIT (annualised)	\$134.4m
H1'06 Wt Avg Invested Capital	\$1,085m
ROIC	12.4%



Profit & Loss

Dividend payment in line with historical pay-out ratio.

	H1'05	H1'06	% change
EPS (cps)			
- Basic*	11.9	15.7	31.9%
- Fully Diluted*	11.8	15.7	33.1%
DPS (cps)	5.0	7.0	40.0%
Payout Ratio (DPS/EPS)	42%	45%	

* Adjusted for straight line expensing of property lease payments under AIFRS

- Dividend per share of 7.0 cents for 1H'06, a 40% increase on pcp
- Marks a return to historical pay-out ratios with full period contribution from Peppercorn acquisition



Balance Sheet

Strong balance sheet provides significant capacity for growth.

(\$'m)	30-Jun 2005	31-Dec 2005
Cash	45.6	107.3
Receivables	31.3	40.5
Other Current Assets	17.3	15.1
Other	7.9	7.0
Total Current Assets	102.1	169.9
Childcare Licenses	772.7	891.8
Property Plant & Equipment	82.7	119.9
Intangible Assets	175.7	167.9
Other Financial Assets	31.1	59.0
Other	8.8	10.8
Total Non Current Assets	1071.0	1249.4
Payables	56.8	48.6
Debt	4.5	8.0
Provisions	6.1	24.5
Current Tax Liabilities	3.0	9.1
Total Current Liabilities	70.4	90.2
Debt	246.3	135.6
Deferred Tax liabilities	60.5	61.3
Total Non Current Liabilities	306.8	196.9
Net Assets	795.9	1132.2
Net debt / Equity	25.8%	3.2%
EBIT Interest Cover (times)	7.4	8.0

- Cash – includes capital raising (post balance date has reduced with settlement on LCGI offset by SPP proceeds)
- Other Current Assets and Other Financial Assets – \$40m relates to centres under construction with the balance relating to vendor finance on divested centres and sundry investments (eg. LCGI due diligence costs)
- Childcare Licenses – represents 92 centre acquisitions
- Intangible Assets – PMG/CCA pipeline centre amounts that will move to childcare licenses as they settle
- Provisions – \$18m increase relates to provision for dividends
- Long term debt – includes \$60m of RCPS reclassified to debt under AIFRS
- Deferred Tax liabilities – relates to asset revaluation reserve
- Gearing – 3% at 31 Dec 2005, currently 21%



ABC LEARNING CENTRES

Cashflow

Strength of the underlying business is illustrated by quality of earnings.

	H1'06
Operating Cashflow	\$44.8m
+ Borrowing costs	\$10.2m
+ Tax	\$11.8m
+ Other Working Capital Change	\$5.4m
EBITDA	\$72.2m



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The future for ABC is very positive with a large number of opportunities that will significantly enhance the business.

- ABC is on track to meet forecast NPAT for FY'06 of \$88.0m before US operations
- ABC to settle on 100 - 150 centres in H2'06

US Operations

- LCGI acquisition completed 11 January 2006
- Expected to be EPS neutral to slightly positive in H2'06
- Currently trading above budget
- Acquisition pipeline – currently negotiating

