1. Appendix 4E: Preliminary Final Report

1.1 Company details and reporting period

A.B.C. Learning Centres Ltd
ABN 93 079 736 664

Reporting period – twelve months ended:	30 June 2005
Previous corresponding period – twelve months ended:	30 June 2004

1.2 Results for announcement to the market

				$m
Revenues from ordinary activities	up	203.6%	to	292,700
Profit from ordinary activities after tax attributable to members	up	144.9%	to	52,337
Net profit attributable to members	up	144.9%	to	52,337

Dividends – current year	**Amount per security**
	Cents
Final Dividend – 2005, fully franked at 30% Payable 15 September 2005	6.0
Interim Dividend – 2005, fully franked at 30% Paid 1 April 2005	5.0

Dividends – previous year	**Amount per security**
	Cents
Final Dividend – 2004, fully franked at 30% Payable 15 October 2004	5.5
Interim Dividend – 2004, fully franked at 30% Paid 2 April 2004	4.5

Record date for determining entitlements for the final dividend	7 September 2005

Net Tangible Assets	**2005 Cents**	**2004 Cents**
Net tangible assets per share	(39.1)	(29.4)

1.3 Compliance Statement

This report is based on financial accounts that are in the process of being audited by our external auditors.

…………………………………………………… 29th August 2005
Jillian Glenda Bannan - Company Secretary

COMMENTARY ON RESULTS

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

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.

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 annual general meeting will be held as follows:

Place: Brisbane Convention and Exhibition Centre

Date: Wednesday 23rd November, 2005.

Time: 12:00pm

A.B.C. LEARNING CENTRES LIMITED
ABN 93 079 736 664
AND CONTROLLED ENTITIES

PRELIMINARY FINAL REPORT FOR THE YEAR ENDED 30 JUNE 2005

INDEX

STATEMENTS OF FINANCIAL POSITION AT 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	2004 $000	2005 $000	2004 $000
Current Assets					
Cash assets	6	45,560	2,313	34,189	696
Receivables	7	31,327	13,555	7,454	2,506
Other financial assets	8	3,649	983	500	-
Inventory	9	4,226	-	-	-
Other assets	10	18,484	22,572	491	803
Total Current Assets		**103,246**	**39,423**	**42,634**	**4,005**
Non-Current Assets					
Receivables	7	414	267	51,544	-
Other financial assets	8	32,696	1,670	808,970	256,583
Property, plant and equipment	12	82,714	35,762	702	751
Childcare licences	13	772,697	235,746	-	-
Intangible assets	14	170,843	1,072	-	-
Deferred tax assets	15	2,849	113	2,811	95
Total Non-Current Assets		**1,062,213**	**274,630**	**864,027**	**257,429**
Total Assets		**1,165,459**	**314,053**	**906,661**	**261,434**
Current Liabilities					
Payables	16	52,214	4,605	129	35
Interest bearing liabilities	17	4,456	19,671	-	151
Current tax liabilities	18	3,061	1,954	2,964	1,642
Provisions	19	6,079	246	-	-
Total Current Liabilities		**65,810**	**26,476**	**3,093**	**1,828**
Non-Current Liabilities					
Interest bearing liabilities	17	195,665	83,353	160,400	80,500
Non-current tax liabilities	18	57,539	1,664	54,489	1,664
Provisions	19	911	1	-	-
Total Non-Current Liabilities		**254,115**	**85,018**	**214,889**	**82,164**
Total Liabilities		**319,925**	**111,494**	**217,982**	**83,992**
Net Assets		**845,534**	**202,559**	**688,679**	**177,442**
Equity					
Contributed equity	20	676,935	174,009	676,935	174,009
Reserves	21	114,033	3,871	1,682	79
Retained profits	22	54,566	24,679	10,062	3,354
Total Equity	23	**845,534**	**202,559**	**688,679**	**177,442**

The accompanying notes form part of these financial statements

STATEMENTS OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Revenues from ordinary activities	1	292,700	96,421	37,121	19,023
Changes in inventory of finished goods		(1,622)	-	-	-
Employee benefits expense		(76,890)	(7,067)	(592)	(171)
Depreciation and amortisation expense		(10,114)	(1,927)	(48)	(44)
Borrowing costs expense		(6,478)	(5,032)	(4,662)	(4,717)
Rental and other property expenses		(56,633)	(23,961)	-	-
Children's catering and other expenses		(8,357)	(4,577)	-	-
Advertising and promotional expenses		(1,350)	(1,056)	-	-
Hire of plant and equipment		(1,019)	(578)	-	-
Insurances		(2,918)	(1,169)	(74)	-
Communication expenses		(2,451)	(1,024)	-	-
Travel		(2,175)	(828)	(4)	(5)
Carrying amount of properties/licenses sold		(9,768)	(14,870)	-	-
Carrying amount of investments sold		(30,255)	-	(909)	-
Other expenses from ordinary activities		(14,543)	(6,605)	(513)	(560)
Profit from ordinary activities before income tax expense	2	**68,127**	**27,727**	**30,319**	**13,526**
Income tax expense relating to ordinary activities	3	(15,790)	(6,359)	(1,161)	(683)
Profit from ordinary activities after related income tax expense	22	**52,337**	**21,368**	**29,158**	**12,843**
Net profit		**52,337**	**21,368**	**29,158**	**12,843**
Increase in reserves recognised directly in equity	21	**110,162**	**387**	**1,603**	**-**
Total changes in equity other than those resulting from transactions with owners as owners	23	**162,499**	**21,755**	**30,761**	**12,843**
		Cents	**Cents**		
Basic earnings per share	5	**25.7**	**17.5**		
Diluted earnings per share	5	**25.5**	**16.2**		

The accompanying notes form part of these financial statements

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 **$000**	**2004** **$000**	**2005** **$000**	**2004** **$000**
Cash Flows From Operating Activities					
Receipts from customers		236,933	94,298	(162)	277
Payments to suppliers and employees		(165,061)	(63,670)	(683)	(1,548)
Distributions received		-	-	-	-
Interest received		2,354	1,120	1,910	994
Borrowing costs paid		(6,478)	(5,032)	(4,662)	(4,717)
Income tax paid		(21,030)	(6,856)	(6,151)	(190)
Net operating cash flows	26(a)	**46,718**	**19,860**	**(9,748)**	**(5,184)**
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		13,546	6,913	-	-
Purchase of property, plant and equipment		(66,034)	(52,028)	-	-
Purchase of childcare licences		(193,066)	(105,478)	-	-
Purchase of investments		(3,020)	(1,757)	(2,737)	(957)
Payment for subsidiary, net of cash acquired		(243,888)	-	(247,994)	-
Proceeds from sale of investments		44,485	265	862	-
Loans made to related parties		9	(37)	(155,810)	(114,244)
Loans made to other parties		(6,183)	(537)	(3,185)	-
Repayment of loans from related parties		(13)	581	-	-
Other		199	(80)	-	-
Net investing cash flows		**(453,965)**	**(152,158)**	**(408,864)**	**(115,201)**
Cash Flows From Financing Activities					
Proceeds from issue of shares		408,742	104,668	408,742	105,653
Share issue costs		(15,091)	(3,163)	(15,091)	(3,163)
Proceeds from borrowings		114,490	44,492	79,900	33,000
Repayment of borrowings		(33,873)	(7,650)	-	(6,803)
Dividends paid by parent entity		(21,296)	(11,043)	(21,295)	(11,043)
Net financing cash flows		**452,972**	**127,304**	**452,256**	**117,644**
Net increase (decrease) in cash held		45,725	(4,994)	33,644	(2,741)
Cash at beginning of the year		(1,588)	3,368	545	3,286
Currency adjustments		(6)	38	-	-
Cash at end of the year	6	**44,131**	**(1,588)**	**34,189**	**545**

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	2004 $000	2005 $000	2004 $000
Note 1: Revenue					
Operating activities:					
Services revenue		230,621	77,936	-	-
Rental revenue		431	-	45	45
Proceeds on sale of properties	1(c)	14,494	17,365	-	-
		245,546	95,301	45	45
Non-operating activities:					
Dividends received	1(a)	4	-	22,958	11,200
Interest received	1(b)	2,354	1,120	13,166	7,725
Other revenue		-	-	2	53
Proceeds on sale of investments	1(c)	44,796	-	950	-
		47,154	1,120	37,076	18,978
Total Revenue from Ordinary Activities		292,700	96,421	37,121	19,023
(a) Dividends revenue from:					
Controlled entities		-	-	22,958	11,200
Other		4	-	-	-
		4	-	22,958	11,200
(b) Interest revenue from:					
Controlled entities		-	-	11,256	6,728
Other persons		2,354	1,120	1,910	997
Total Interest Revenue		2,354	1,120	13,166	7,725
(c) Net proceeds from sale of properties and childcare licenses:					
Consideration on disposal of properties and childcare licenses		14,494	17,365	-	-
Carrying amount of properties and childcare licenses sold		(9,768)	(14,870)	-	-
Net Proceeds on Sale of Properties		4,726	2,495	-	-
Net proceeds from sale of Investments:					
Consideration on disposal of investment		44,796	-	950	-
Carrying amount of investments sold		(30,255)	-	(909)	-
Net Proceeds on Sale of Investments		14,541	-	41	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Note 2: Profit From Ordinary Activities					
Profit from ordinary activities before income tax has been determined after					
(a) Expenses					
Borrowing costs:					
Other persons		6,478	5,032	4,662	4,717
Total Borrowing Costs		6,478	5,032	4,662	4,717
Depreciation of non-current assets:					
Buildings		48	47	48	44
Plant and equipment		5,234	1,874	-	-
Leased plant and equipment		-	-	-	-
Total Depreciation		5,282	1,921	48	44
Amortisation of non-current assets:					
Intangibles		4,832	6	-	-
Total Amortisation		4,832	6	-	-
(b) Revenue and Net Gains					
Net gain on disposal of non-current assets:					
Property, plant and equipment		4,726	2,495	-	-
Note 3: Income Tax Expense					
(a) The prima facie tax on profit from ordinary activities before tax is reconciled to the income tax as follows:					
Prima facie tax payable on profit from ordinary activities before tax at 30%		20,438	8,318	9,096	4,058
Add/(Deduct):					
Tax effect of:					
Other non-allowable (deductible) items		1,202	(165)	73	198
Income tax losses		-	(937)	-	-
Gross up dividend		-	-	(6,887)	(3,360)
Non assessable Capital Gains		(4,952)	-	-	-
Depreciation and amortisation		568	-	-	-
Capital Raising Costs		(1,156)	(360)	(1,156)	(360)
Adjustment to prior year tax		(310)	-	35	-
Income tax expense adjusted for permanent differences		15,790	6,856	1,161	536
Net adjustment to opening balances of future income tax benefit and deferred income tax		-	(497)	-	147
Income tax expense attributable to profit from ordinary activities before income tax		15,790	6,359	1,161	683

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $	**2004 $**	**2005 $**	**2004 $**

Note 3: Income Tax Expense (continued)

During the year ended 30 June 2004, ABC Learning Centres Limited elected to consolidate its Australian subsidiaries under the Australian tax consolidation regime. As a consequence of the acquisition of Peppercorn Management Group Ltd and Child Care Centres Australia Ltd in December 2004, the group has reset the tax cost base of certain capital assets as required by the tax consolidation regime. This has resulted in a tax benefit of $4,952,484 in the year ended 30 June 2005. Further benefits will be realised in future years should further capital assets be sold.

Note 4: Dividends

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Final fully franked ordinary dividend of 5.5 (2004: 4) cents per share for the 2004 year franked at the rate of 30%	6,427	4,065	6,427	4,065
Interim fully franked ordinary dividend of 5 (2004: 4.5) cents per share franked at the rate of 30%	12,479	5,200	12,479	5,200
Interim fully franked redeemable converting preference share (“RCPS”) dividend of 16.9212 cents per share franked at the rate of 30%	2,031	2,031	2,031	2,031
RCPS dividend treated as debt	(254)	(253)	(254)	(253)
Final fully franked redeemable converting preference share (“RCPS”) dividend of 16.8288 cents per share franked at the rate of 30%	2,019	-	2,019	-
RCPS dividend treated as debt	(252)	-	(252)	-
	22,450	11,043	22,450	11,043
(a) Proposed final fully franked ordinary dividend of 6 (2004: 5.5) cents per share franked at the rate of 30%	15,020	6,427	15,020	6,415
(b) Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years	10,453	7,108	10,453	929

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity 2005 $	Economic Entity 2004 $
Note 5: Earnings Per Share			
(a) Reconciliation of earnings to net profit:			
Net profit		52,337	21,368
RCPS dividend		(4,050)	(1,778)
After tax		48,287	19,590
- RCPS interest on debt component		354	177
- Notional earnings		-	100
Earnings used in the calculation of basic earnings per share		48,641	19,867
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS		189,436,141	111,954,777
Weighted average number of options outstanding		1,025,017	3,434,845
Weighted average number of RCPS on issue		-	6,950,820
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS		190,461,158	122,340,442

(c) Classification of securities
The following securities have been classified as potential ordinary shares and are included in determination of dilutive EPS:

- Options outstanding (Note 20(c))
- RCPS (Note 20(b))

(d) Reconciliation of adjusted earnings to net profit:	
Net profit	52,337
RCPS dividend	(4,050)
After tax	48,287
- RCPS interest on debt component	354
- Notional earnings	-
- Amortisation	4,832
- Capital gain on disposal of A.B.C. Leaning Centres Ltd shares acquired upon Peppercorn Management Group acquisition	(14,541)
Earnings used in the calculation of basic earnings per share	38,932
	Cents
Adjusted Basic Earnings Per Share	20.6
Adjusted Diluted Earnings Per Share	20.4

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $	2004 $	2005 $	2004 $
Note 6: Cash Assets					
Cash at bank		45,458	2,219	34,087	602
Deposits at call		102	94	102	94
		45,560	2,313	34,189	696
Reconciliation of Cash					
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:					
Cash on hand and at bank		45,458	2,219	34,087	602
Deposits at call		102	94	102	94
Bank overdrafts		(1,429)	(3,901)	-	(151)
		44,131	(1,588)	34,189	545
Note 7: Receivables					
Current					
Trade debtors		14,368	167	-	-
Other debtors		9,117	1,130	43	(27)
Other debtors – property settlements		7,410	12,157	-	-
Deposits		432	101	-	-
Tax related receivable		-	-	7,411	2,533
		31,327	13,555	7,454	2,506
Non-Current					
Rental bonds		414	267	-	-
Tax Related Receivable		-	-	51,544	-
		414	267	51,544	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	2004 $000	2005 $000	2004 $000
Note 8: Other Financial Assets					
Current					
Unsecured loans:					
Controlled entities		-	-	-	-
Associated entities		-	324	-	-
Director related entities		165	174	-	-
Secured loans:					
Other persons		3,484	485	500	-
		3,649	983	500	-
Non-Current					
Unsecured loans:					
Controlled entities		-	-	415,398	225,329
Other entities		2,760	-	-	-
Shares in controlled entities		-	-	386,547	30,434
Listed investments		6,242	957	4,340	957
Provision for diminution in market value of listed investments		(1,602)	(137)	-	(137)
Total Listed Investments		4,640	820	4,340	820
Unlisted investments, at cost:					
Units in property trust		600	600	-	-
Other investments		2,119	250	2,685	-
Centre Development Costs		22,577	-	-	-
		32,696	1,670	808,970	256,583
Note 9: Inventory					
Current					
Finished Goods – Held for resale (refer note11(b)(f))		4,226	-	-	-
		4,226	-	-	-
Note 10: Other Assets					
Current					
Prepayments		12,124	2,851	491	803
Land and buildings held for on-sale		6,360	17,121	-	-
Deposits on land and buildings held for resale		-	2,600	-	-
		18,484	22,572	491	803

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 11: Controlled Entities

(a) Controlled entities

	Country of Incorporation	Percentage Owned (%) 2005	2004
Parent Entity:			
A.B.C. Learning Centres Limited	Australia	-	-
Controlled Entities:			
A.B.C. Developmental Learning Centres Pty Ltd	Australia	100	100
A.B.C. Early Childhood Training College Pty Ltd	Australia	100	100
Corporate Care Australia Pty Ltd	Australia	100	100
Premier Learning Centres Pty Ltd	Australia	100	100
ACN 097 028 923 Pty Ltd	Australia	100	100
ABC Developmental Learning Centres (NZ) Limited	New Zealand	100	100
A.B.C. Education Services Pty Ltd	Australia	100	100
A.B.C. Land Holdings Pty Ltd	Australia	100	100
A.B.C. New Ideas Pty Ltd (a)	Australia	100	-
A.B.C. Land Holdings (NZ) Ltd (b)	New Zealand	100	-
DPPA Pty Ltd (c)	Australia	100	-
FutureOne Pty Ltd	Australia	100	100
- ACN 089 836 180 Pty Ltd	Australia	100	100
- Brighter Future Family Services Pty Ltd	Australia	100	100
- Interlink Education Systems Pty Ltd	Australia	100	100
- ACN 084 147 446 Pty Ltd	Australia	100	100
- ACN 084 147 393 Pty Ltd	Australia	100	100
Child Care Centres Australia Ltd (d)	Australia	100	-
- Highland Park Child Care Centre Pty Ltd	Australia	100	-
- Kiddies Place Childcare Pty Ltd	Australia	100	-
- Australian Montessori Education Pty Ltd	Australia	100	-
Peppercorn Management Group Ltd (e)	Australia	100	-
- PMG Corporate Pty Ltd	Australia	100	-
- Peppercorn Holdings No 1 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 2 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 3 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 4 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 5 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 6 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 7 Pty Ltd	Australia	100	-
- Peppercorn Holdings No 8 Pty Ltd	Australia	100	-
- PMG Corporate NZ Ltd	New Zealand	100	-
Judius Pty Ltd (f)	Australia	100	-
- Chosen Products Pty Ltd	Australia	100	-
- Judius NZ Ltd	New Zealand	100	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 11: Controlled Entities (Continued)

(b) Acquisitions of Controlled Entities

(a) On 16 December 2004, the parent entity arranged for the incorporation of a wholly owned subsidiary, A.B.C New Ideas Pty Ltd. One ordinary share was issued for a total consideration of $1. The company commenced operations during the period ended 30 June 2005.

(b) On 17 August 2004, the parent entity arranged for the incorporation of a wholly owned subsidiary, A.B.C Land Holdings (NZ) Ltd. One ordinary share was issued for a total consideration of $1. The company commenced operations during the period ended 30 June 2005.

(c) On 14 June 2005, the parent entity arranged for the incorporation of a wholly owned subsidiary, DPPA Pty Ltd. One ordinary share was issued for a total consideration of $1. The company commenced operations during the period ended 30 June 2005.

(d) On the 9th of December 2004 ABC Learning Centres Limited acquired 100% of Childcare Centres Australia Limited and its controlled entities for $108,119,984. The operating results of this newly controlled economic entity have been included in the consolidated statement of financial performance since the date of acquisition

Details of the acquisition are as follows:

Fair Value of identifiable net assets of controlled entity acquired	**$'000**
Cash	5,417
Debtors	2,964
Deposits	427
Prepayments	5,753
Investments	1,903
Childcare Licences	126,529
Property Plant & Equipment	4,362
Other assets	120
Future Income Tax Benefits	1,769
Unearned Income	(2,038)
Accruals & Creditors	(4,091)
Provisions (Operating)	(4,727)
Bank Debt Facilities	(23,965)
Provision for restructuring	(435)
Cash & Share Consideration	113,988

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 11: Controlled Entities (Continued)

(a) Acquisitions of Controlled Entities (continued)

(e) On the 9th of December 2004 ABC Learning Centres Limited acquired 100% of Peppercorn Management Group Limited and its controlled entities for $235,617,998. The operating results of this newly controlled economic entity have been included in the consolidated statement of financial performance since the date of acquisition.

Details of the acquisition are as follows:

Fair Value of identifiable net assets of controlled entity acquired	**$'000**
Cash	3,844
Debtors	2,176
Accrued Income & Deposits	3,163
Investments	80,353
Prepayments	551
Property Plant & Equipment	1,934
Future Income Tax Benefit	2,637
Other Assets	1,019
Unearned Income	(2,949)
Accruals & Creditors	(4,662)
Provisions (Operating)	(5,361)
Bank Debt Facilities	(10,445)
Provision for restructuring	(2,143)
	70,117
Goodwill on Consolidation	172,009
Cash Consideration	242,126

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 11: Controlled Entities (Continued)

(b) Acquisitions of Controlled Entities (continued)

(f) On the 4th March 2005 ABC Developmental Learning Centres Pty Ltd acquired 100% of the issued capital of Judius Pty Ltd and its controlled entities for $5,003,399. The operating results of this newly controlled economic entity have been included in the consolidated statement of financial performance since the date of acquisition.

This company is an importer and wholesaler of early childhood educational toys. Its market sector ranges from childcare centres to primary schools and retail outlets.

Details of the acquisition are as follows:

Fair Value of identifiable net assets of controlled entity acquired	**$'000**
Cash	1
Bank Overdraft	(153)
Debtors	1,342
Inventory	4,025
Prepayments	437
Property Plant & Equipment	271
Future Income Tax Benefit	211
Accruals & Creditors	(2,147)
Bank Debt Facilities	(1,018)
Provisions (Operating)	(673)
Provision for restructuring	(295)
	2,001
Goodwill on Consolidation	3,002
Cash Consideration	5,003

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 12: Property, Plant and Equipment

	Note	Economic Entity 2005 $000	Economic Entity 2004 $000	Parent Entity 2005 $000	Parent Entity 2004 $000
Freehold land at:					
- Cost		96	94	-	-
Total Land		96	94	-	-
Buildings at:					
- Directors' valuation		965	965	965	965
- Cost		214	273	-	-
Less accumulated depreciation		(271)	(223)	(263)	(214)
Total Buildings		908	1,015	702	751
Total Land and Buildings		1,004	1,109	702	751
Leasehold improvements at:					
- Cost		1,981	389	-	-
Less accumulated amortisation		(157)	(45)	-	-
		1,824	344	-	-
Property improvements at:					
- Cost		52,876	19,215	-	-
Less accumulated amortisation		(3,276)	(1,097)	-	-
		49,600	18,118	-	-
Plant and equipment at:					
- Cost		38,129	19,019	-	-
Less accumulated depreciation		(7,843)	(2,828)	-	-
		30,286	16,191	-	-
Leased plant and equipment:					
Capitalised leased assets		-	-	-	-
Less accumulated depreciation		-	-	-	-
		-	-	-	-
Total Plant and Equipment		81,710	34,653	-	-
Total Property, Plant and Equipment		82,714	35,762	702	751

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	2004 $000	2005 $000	2004 $000
Note 13: Childcare Licences					
Childcare licences at directors' valuation					
Balance at beginning of year		235,746	119,819	-	-
Additions		371,100	115,427	-	-
Revaluation increments		165,851	500	-	-
Carrying amount at end of year		772,697	235,746	-	-

The Discounted Future Cash Flow (DFC) method has been applied to value the company's childcare licenses. This method calculates the value of each childcare licence by adding all its future net cash flows discounted to their present value at an appropriate discount rate.

In assessing the appropriate discount rate for the childcare licences the directors' have taken into account the following:-

(a) the company's weighted average cost of capital;
(b) the entity's incremental borrowing rate; and
(c) other market borrowing rates.

The directors' valuation of childcare licences has previously been based on each licences' future maintainable earnings.

Note 14: Intangibles

	2005 $000	2004 $000	2005 $000	2004 $000
Childcare and education systems, at cost	671	1,079	-	-
Accumulated amortisation	(21)	(7)	-	-
	650	1,072	-	-
Goodwill on consolidation	175,011	-	-	-
Accumulated amortisation	(4,818)	-	-	-
	170,193	-	-	-
Balance at 30 June 2005	170,843	1,072	-	-

Note 15: Deferred Tax Assets

	2005 $000	2004 $000	2005 $000	2004 $000
Future income tax benefit	2,849	113	2,811	95
The future income tax benefit is made up of the following estimated tax benefits:				
- tax losses	-	-	-	-
- timing differences	2,849	113	2,811	95
	2,849	113	2,811	95

Note 16: Payables

	2005 $000	2004 $000	2005 $000	2004 $000
Current				
Unsecured liabilities:				
Trade creditors	5,431	1,981	27	10
Sundry creditors and accrued expenses	46,783	2,611	102	25
Director related entities	-	13	-	-
	52,214	4,605	129	35

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Note 17: Interest Bearing Liabilities					
Current					
Secured Liabilities:					
Bank overdraft		1,429	3,901	-	151
Bank loan		1,000	15,000	-	-
Hire purchase loans		2,027	770	-	-
		4,456	19,671	-	151
Non-Current					
Unsecured Liabilities:					
RCPS – Debt Component		7,500	7,500	7,500	7,500
		7,500	7,500	7,500	7,500
Secured Liabilities:					
Bank loans		184,020	73,000	152,900	73,000
Hire purchase loans		4,145	2,853	-	-
		188,165	75,853	152,900	73,000
		195,665	83,353	160,400	80,500
Note 18: Tax Liabilities					
Current					
Income tax		3,061	1,967	2,964	1,652
Withholding tax		-	(13)	-	(10)
		3,061	1,954	2,964	1,642
Non-Current					
Deferred income tax		57,539	1,664	54,489	1,664
Note 19: Provisions					
Current					
Employee entitlements		4,907	246	-	-
Restructuring Costs		1,172	-	-	-
		6,079	246	-	-
Non-Current					
Employee entitlements		911	1	-	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Note 20: Contributed Equity					
250,344,916 (2004:116,428,216) fully paid ordinary shares		626,328	123,402	626,328	123,402
12,000,000 (2004: 12,000,000) redeemable converting preference shares		50,607	50,607	50,607	50,607
		676,935	174,009	676,935	174,009
(a) Ordinary Shares					
At the beginning of the reporting period		123,402	71,310	123,402	71,310
Shares issued during the year (refer to (1) to (10) below):					
- Share placements		400,031	40,200	400,031	40,200
- Scheme of Arrangement		108,120	-	108,120	-
- On exercise of options		8,211	4,325	8,211	4,325
- Option premium on issue of directors' options		-	592	-	592
- On settlements with vendors		500	8,242	500	8,242
- Issue of shares to staff		-	3	-	3
- Dividend reinvestment		1,154	-	1,154	-
Transaction costs relating to share issues		(15,090)	(1,270)	(15,090)	(1,270)
At reporting date		626,328	123,402	626,328	123,402

	No.	No.	No.	No.
At the beginning of the reporting period	116,428,216	97,521,146	116,428,216	97,521,146
Shares issued during year (refer to (1) to (10) below):				
- Share placements	100,007,840	13,400,000	100,007,840	13,400,000
- Scheme of arrangements	30,033,329	-	30,033,329	-
- On exercise of options	2,550,000	1,825,000	2,550,000	1,825,000
- Dividend reinvestment	270,915	-	270,915	-
- On settlements with vendors	231,481	1,859,335	231,481	1,859,335
- On settlements with vendors of FutureOne Limited shares	30,000	1,598,955	30,000	1,598,955
- To carers in the centres by way of staff incentives	503,095	108,780	503,095	108,780
- To staff of the economic entity	290,040	115,000	290,040	115,000
At reporting date	250,344,916	116,428,216	250,344,916	116,428,216

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 20: Contributed Equity (Continued)

1) On 18 August 2004, the company issued a further 30,000 shares as part of its takeover of Future One Ltd.
2) On 17 September 2004, the company issued 231,481 shares on exercise of options under share option deed to a vendor in part consideration of the sale of their child care centre.
3) On 15 October 2004, the company issued 270,915 shares as part of a dividend reinvestment plan.
4) On 18 November 2004, the company issued 6,254,735 ordinary shares at $4.00 as share placements to raise funds for working capital to be used in the expansion process.
5) On 9 December 2004, the company issued 93,750,000 ordinary shares at $4.00 as share placements to raise funds for working capital to be used in the expansion process including the acquisition of PMG Ltd shares and PIV centres.
6) On 23 December 2004, the company issued 3,105 ordinary shares at $4.00 as share placements to raise funds for working capital to be used in the expansion process.
7) On 23 December 2004, the company issued 30,033,329 shares in exchange for 77,570,547 shares in CDC as part of its acquisition of Child Care Centres Australia Ltd.
8) During the 2005 financial year the company issued 290,040 shares to employees under the ABC Employee Share Plan.
9) During the 2005 financial year the company issued 503,095 ordinary shares at $nil value to carers working in ABC centres by way of incentive to have the carers to enter into a workplace agreement with their employer.
10) During the 2005 financial year the directors exercised their remuneration options converting 2,550,000 ordinary shares at 3.22 per share (see note 5 for further details).

At shareholders meetings, each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands

	Note	Economic Entity		Parent Entity	
		2005 $000	2004 $000	2005 $000	2004 $000
(b) Redeemable Converting Preference Shares					
At the beginning of the reporting period		50,607	-	50,607	-
Shares issued during the year:					
- RCPS issued by prospectus		-	60,000	-	60,000
- RCPS treated as debt		-	(7,500)	-	(7,500)
Transaction costs relating to share issues		-	(1,893)	-	(1,893)
At reporting date		50,607	50,607	50,607	50,607
		No.	No.	No.	No.
At the beginning of the reporting period		12,000,000	-	12,000,000	-
Shares issued during year:					
- RCPS issued by prospectus		-	12,000,000	-	12,000,000
At reporting date		12,000,000	12,000,000	12,000,000	12,000,000

(c) Options

No options have been granted in the 2005 financial year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Note 21: Reserves					
Assets revaluation reserve (a)		114,002	3,834	1,682	79
Currency fluctuation reserve (b)		31	37	-	-
		114,033	3,871	1,682	79
(a) Movements during the year in the asset revaluation reserve:					
Opening balance		3,834	3,484	79	79
Revaluation increment on childcare licences		165,851	500	1,603	-
Revaluation of investments		1	-	-	-
Income tax provided on net revaluation increment		(55,684)	(150)	-	-
Closing balance		114,002	3,834	1,682	79
The asset revaluation reserve records revaluations of non-current assets					
(b) Movements during the year in the currency fluctuation reserve:					
Opening balance		37	-	-	-
Currency fluctuations		(6)	37	-	-
Closing balance		31	37	-	-
Note 22: Retained Profits					
Retained profits at the beginning of the financial year		24,679	14,354	3,354	1,554
Net profit attributable to the members of the parent entity		52,337	21,368	29,158	12,843
Dividends paid	4	(22,450)	(11,043)	(22,450)	(11,043)
Retained profits at the end of the financial year		54,566	24,679	10,062	3,354

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	Note	Economic Entity		Parent Entity	
		2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Note 23: Total Equity					
Total equity at the beginning of the financial year		202,559	89,148	177,442	72,943
Total changes in equity recognised in the Statement of Financial Performance		162,499	21,755	30,761	12,843
Transactions with owners as owners:					
- Share Placement		400,031	40,200	400,031	40,200
- Issue of ordinary shares		109,774	8,245	109,774	8,245
- Transaction costs on the issue of ordinary shares		(15,090)	(1,270)	(15,090)	(1,270)
- Premium on issue of directors' options		-	592	-	592
- Issue of Ordinary shares on exercise of options		8,211	4,325	8,211	4,325
- Issue of RCPS		-	50,607	-	50,607
- Dividends paid		(22,450)	(11,043)	(22,450)	(11,043)
Total equity at the end of the financial year		845,534	202,559	688,679	177,442

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 24: Statement of Operations by Segments

The economic entity only operates in one business segment, the childcare industry and operates in two geographical segment, Australia and New Zealand.

	Economic Entity	
	2005 $000	**2004 $000**
Primary Reporting – Business Segment		
Total segment revenue	292,700	96,421
Segment result before income tax expense	68,127	27,727
Income tax expense	(15,790)	(6,359)
Net Profit	52,337	21,368
Segment Assets	1,165,459	314,053
Segment Liabilities	319,925	111,494

Secondary Reporting – Geographical Segment

During the financial year, the economic entity operated in both Australia and New Zealand.

	2005 $000	2004 $000
Segment revenues from external customers		
Australia	283,495	91,463
New Zealand	9,205	4,958
	292,700	96,421
Carrying amount of segment assets		
Australia	1,147,985	307,740
New Zealand	17,474	6,313
	1,165,459	314,053

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 25: Impact of adopting Australian equivalents to IFRS

The Australian Accounting Standards Board (AASB) is adopting International Financial Reporting Standards (IFRS) for application to reporting periods beginning on or after 1 January 2005. The AASB has issued Australian equivalents to IFRS, and the Urgent Issues Group has issued interpretations corresponding to IASB interpretations originated by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee. These Australian equivalents to IFRS are referred to hereafter as AIFRS. The adoption of AIFRS will be first reflected in the consolidated entity's financial statements for the half-year ended 31 December 2005 and the year ended 30 June 2006.

Entities complying with AIFRS for the first time will be required to restate their comparative information to amounts reflecting the application of AIFRS to that comparative period. Most adjustments required on transition to AIFRS will be made, retrospectively, against opening retained profits as at 1 July 2004.

A.B.C. Learning Centres Limited has established a project team to manage the transition to AIFRS, including training of staff and system and internal control changes necessary to gather the required financial information. The project team has prepared a detailed timetable for managing the transition to AIFRS and is currently on schedule. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS as a 1 July 2004, A.B.C. Learning Centres Limited's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when A.B.C. Learning Centres Limited prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and management's best estimate of the quantitative impact of the changes on total equity as at the date of transition and 30 June 2005 and on net profit for the year ended 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the AIFRS project teams; (b) potential amendments to AIFRSs and Interpretations thereof being issued by the standard-setters and IFRIC; and (c) emerging accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 25: Impact of adopting Australian equivalents to IFRS (Continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

	Note	Economic Entity 2005** $000	Parent Entity 2005** $000
Total equity under AGAAP		845,534	688,679
Adjustments to retained earnings (net of tax)			
Impairment of assets including goodwill	(i)	-	-
Income Tax Expense	(v)	2,107	4,216
Write down of listed shares	(i)	(1,602)	-
Write-back of goodwill amortisation	(ii)	4,832	-
Recognition of share-based payment expense	(iii)	(7,216)	(7,216)
Reclassification of redeemable preference shares from equity to debt	(iv)	(50,607)	(50,607)
		793,048	635,072
Adjustments to share capital	(iii)	7,216	7,216
Total equity under AIFRS		800,264	642,288

* This column represents the adjustments as at the date of transition to AIFRS.

** This column represents the cumulative adjustments as at the date of transition to AIFRS and those for the year ended 30 June 2005.

i. Under *AASB 136 Impairment of Assets*, the recoverable amount of an asset is determined as the higher of its net selling price and value in use. The group's current accounting policy is to determine the recoverable amount of an asset on the basis of discounted cash flows. The group's assets including goodwill were tested for impairment on transition and each subsequent reporting date as part of the cash generating unit to which they belong. As at the date of transition, all assets have been tested for impairment based on recoverable amount using discounted cash flows. Any impairment losses have been booked to the Statement of Financial Performance. The group's current policy on impairment of assets is consistent with the requirements of AASB 136 except for a write down of and investment in listed shares. Hence, if the policy required by AASB 136 had been applied during the year ended 30 June 2005, there would have been no impact on assets or net profit except for a decrease to net profits as a result of a write down of an investment of $1,602,776.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 25: Impact of adopting Australian equivalents to IFRS (Continued)

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

ii. Under AASB 3 *Business Combinations* purchased goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises purchased goodwill over its useful life but not exceeding 20 years. The Group has not elected to apply AASB 3 retrospectively and hence, prior year amortisation would not be written-back as at the date of transition. If the policy required by AASB 3 had been applied during the year ended 30 June 2005, the consolidated goodwill would have been $4,832,150 higher and consolidated amortisation expense for the year ended 30 June 2005 would have been $4,832,150 lower. This would have resulted in an increase in assets and net profit of $4,832,150. There was no impact on the parent entity's financial statements.

iii. Under AASB 2 *Share-Based Payments*, the group would recognise the fair value of share-based payments granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity. During the 2005 year, the company allotted a total of 793,135 ordinary shares and 588,724 Phantom Shares in A.B.C. Learning Centres Limited to employees and carers under the ABC Employee Share Plan and the Carers Share Plan. These shares are provided to selected employees and carers and issued at a cost of $Nil. Executives are excluded under this program. Share-based payment costs are not recognised under AGAAP. If the policy required by AASB 2 had been applied during the year ended 30 June 2005, the net profit of the company would have been $7,216,173 lower, with a corresponding increase in share capital.

iv. Under *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*, the company will be required to reclassify the debt component of redeemable convertible preference shares from equity to debt. The group currently adopts the policy of apportioning the components of these redeemable convertible preference shares between debt and equity. If the policy required by AASB 3 had been applied during the year ended 30 June 2005, a decrease in share capital of $50,607,200 would have resulted. The company would also be required to recognise interest expense of $3,453,740 in the income statement being the equity component of the dividend no previously recognised as interest expense.

v. Under AASB 112 *Income Taxes* requires the Group would be required to use a balance sheet liability method, rather the current income statement method which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. In revaluing assets to fair value, the group currently adopts the policy of recognising a deferred tax liability in respect of the revaluation. This is consistent with the requirements of AASB 112. Hence, if the policy required by AASB 112 had been applied during the year ended 30 June 2005, there would have been no impact on equity.

vi. Management has decided to apply the exemption provided in AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards* which permits entities not to apply the requirements of AASB 132 *Financial Instruments: Presentation and Disclosures* and AASB 139 *Financial Instruments: Recognition and Measurement* for the financial year ended 30 June 2005. The standards will be applied from 1 July 2005. The Financial Instruments project team is in the process of determining the impact that adopting the standards would have on the financial statements of the Group.

(b) Reconciliation of net profit under AGAAP to that under AIFRS
Year Ended 30 June 2005

	Note	Economic Entity	Parent Entity
		$000	**$000**
Net profit as reported under AGAAP		52,337	29,158
Amortisation of goodwill	(i)	4,832	-
Share-based payment expense	(iii)	(7,216)	(7,216)
Impairment losses recognised	(iv)	-	-
Interest component of redeemable preference shares	(v)	(3,544)	(3,544)
Adjustment to income tax expense	(vi)	2,107	4,216
Write down of listed shares	(iv)	(1,602)	-
Net profit under AIFRS		46,914	22,614

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 25: Impact of adopting Australian equivalents to IFRS (Continued)

(b) Reconciliation of net profit under AGAAP to that under AIFRS

i. Under AASB 3 Business Combinations purchased goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate a potential impairment. Currently, the group amortises purchased goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.

ii. The defined benefit pension asset for the Group and the parent which would be recognised under AASB 119 as at 30 June 2005 has increased from 1 July 2004, resulting in an increase in AIFRS profit for the year. Refer also to Note 25(a)(i) above.

iii. Under AASB 2 *Share-Based Payments*, the group would recognise the fair value of share-based payments granted to employees as remuneration as an expense on a pro-rata basis over the vesting period in the income statement with a corresponding adjustment to equity.

iv. Under AASB 136 *Impairment of Assets*, the Group's assets including goodwill would be tested for impairment as part of the cash generating unit to which they belong, and any impairment losses recognised in the income statement. As at the date of transition, all assets have been tested for impairment based on recoverable amount using discounted cash flows. Any impairment losses have been booked to the Statement of Financial Performance. The group's current policy on impairment of assets is consistent with the requirements of AASB 136 except for a write down of shares in a listed company. This write down resulted in a decrease to net profit of $1,602,776.

v. Under *AASB 132 Financial Instruments: Disclosure and Presentation* and *AASB 139 Financial Instruments: Recognition and Measurement*, the company will be required to reclassify the debt component of redeemable convertible preference shares from equity to debt. If the policy required by AASB 3 had been applied during the year ended 30 June 2005, the company would be required to recognise interest expense of $3,453,740 in the income statement.

vi. The adjustment to income tax expense relates to the above AIFRS adjustments resulting from differences in tax and accounting depreciation in respect of depreciating assets of $2,109,359 (deferred tax liability) as well as a deferred tax asset of $4,216,270 relating to blackhole expenditure relating to capital raising by the company over the past four years. This amount has not been booked as a future income tax benefit in accordance with *AASB 1020 Tax-Effect Accounting*, but represents future deductions to the company in accordance with AASB 112.

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

Note 26: Cash flow Information

(a) Reconciliation of cash flow from operations with profit from ordinary activities after income tax

	Economic Entity		Parent Entity	
	2005 $000	**2004 $000**	**2005 $000**	**2004 $000**
Profit from ordinary activities after income tax	52,337	21,368	29,158	12,990
Non-cash flows in profit from ordinary activities				
Amortisation	4,832	6	-	-
Depreciation	5,282	1,921	48	44
Provision for write down of investments	-	137	-	137
Future One	-	-	-	(453)
Net gain on disposal of properties/investments	(19,274)	(2,482)	(41)	-
Dividends from subsidiaries	-	-	(22,958)	(11,200)
Interest from subsidiaries	-	-	(11,256)	(6,732)
Rental from subsidiaries	-	-	(45)	(45)
Directors fees	-	-	-	-
Premium on issue of options to directors	-	-	-	27
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term debtors	5,884	1,432	(164)	88
(Increase)/decrease in prepayments	(2,532)	(1,197)	313	-
Increase/(decrease) in trade creditors and accruals	9,924	(516)	188	(388)
Movement in income taxes payable	(425)	(478)	1,321	348
Movement in deferred tax benefits	(4,815)	(20)	(6,312)	-
Increase/(decrease) in provisions	(4,495)	(311)	-	-
Cash Flows from operations	46,718	19,860	(9,748)	(5,184)