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

FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2005

ASX APPENDIX 4D

This half-year financial report is to be read in conjunction with the financial report for the year ended 2005 and any public announcements made by the company during the half-year reporting period.

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APPENDIX 4D - HALF YEARLY REPORT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

1.1 Reporting period

Reporting period - six months ended:	31 December 2005
Previous corresponding period - six months ended:	31 December 2004

1.2 Results for announcement to the market

				$m
Revenues from ordinary activities	up	214.3%	to	219,809
Profit from ordinary activities after tax attributable to members	up	166.8%	to	38,067
Net profit attributable to members	up	166.8%	to	38,067

Dividends - current year	**Amount per security**
	Cents
Final Dividend - 2005, fully franked at 30% Paid 15 September 2005	6.0
Interim Dividend - 2006, fully franked at 30% Payable 31 March 2006	7.0

Record date for determining entitlements for the interim dividend 14 December 2005

Net Tangible Assets	**2005**	**2004**
	Cents	**Cents**
Net tangible assets per share	24.1	(13.4)

Dividend Reinvestment Plan

The Dividend Reinvestment Plan share price applicable to the interim dividend was calculated on the weighted average price for securities sold on the ASX on the first day on which those securities were quoted ex-dividend in relation to the relevant dividend and on the following four trading days, less a discount of 2.5%.

ABC has determined that the price at which the shares are to be issued will be $6.94. The last date for the receipt of an election notice for participation was 14 December 2005.

Commentary on Results

A.B.C. Learning Centres Limited (ABC) today announced an operating profit after tax under AGAAP[1] pre goodwill amortization of $44.0 million for the half year ending 31 December 2005 up 185%. This demonstrates that ABC is on track to meet its 2006 financial year earning guidance for operating profit after tax of $88.0 million (before the acquisition of Learning Care Group, Inc. (LCGI)) as outlined in the market announcement on 29 August 2005.

[1] AGAAP – Australian Generally Accepted Accounting Principles

Operating profit after tax under AIFRS[2] of $38.1 million for the half year was up 166% over the previous corresponding period. Adjusting for straight line expensing of property lease payments under AIFRS (a non-cash item) the operating profit after tax was even stronger at $41.0m.

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

Reconciliation of AGAAP pre goodwill vs AIFRS

6 months ended 31 December	H1 FY'05	H1 FY'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**

FINANCIAL HIGHLIGHTS - Under AIFRS (pre straight line expensing of property lease payments)

6 months ended 31 December	H1 FY'05	H1 FY'06			
	Pro forma	Reported	Adjustments	Pro forma	Change
Total Parent Fees	$125.5m			$267.3m	113.0%
Operating Revenue	$53.2m	$214.2m	-$95.9m[1]	$118.3m	122.4%
Other Revenue	$1.0m	$5.6m	-$2.0m[2]	$3.6m	260.0%
Total Revenue	**$54.2m**	**$219.8m**	**-$97.9m**	**$121.9m**	**124.9%**
Operating Costs	-$30.4m	-$149.8m	$100.1m[3]	-$49.7m	63.5%
EBITDA	**$23.8m**	**$70.0m**	**$2.2m**	**$72.2m**	**203.4%**
Operating profit before tax	$17.3m	$54.6m	$4.2m	$58.8m	239.9%
Operating Profit after tax	**$15.7m**	**$38.1m**	**$2.9m**	**$41.0m**	**161.1%**
Diluted earnings per share	11.8 cents	14.6 cents		15.7 cents	33.1%
Interim Dividend – fully franked	5.0 cents	7.0 cents			40.0%
No. of childcare centres	372[4]	752			

[1] Comprises $70.4m of non regional management company (RMC) wage costs and $25.5m of other income including Judius (early childhood equipment company) & NIECE (National Institute of Early Childhood Education)
[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

[2] AIFRS – Australian Equivalents to International Financial Reporting Standards

[4] 629 less 257 acquired in Peppercorn acquisition

After reporting earnings as if all centres were in RMC's[3], revenue increased by 125% over the previous corresponding period.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 203% over the previous corresponding period.

The increase in EBITDA margin to 27.0% for the half compared with 19.0% in the previous corresponding period has illustrated ABC's ability to successfully integrate and improve the performance of centres acquired as part of the Peppercorn acquisition. This improvement in margin is also due in part to a strong first half profit contribution from Judius and Niece, and the fact that centre margins tend to be seasonally higher in the first half.

Dividend

The Directors have previously declared an interim dividend of 7.0 cents per share, fully franked. This represents a 40.0% increase over the previous corresponding period.

This dividend payment is in line with ABC's historic dividend payments. A full year contribution from the Peppercorn acquisition sees the dividend payout ratio now return to historical levels of around 50% of EPS.

[3] Regional management companies (RMC's) are licensees which distribute centre fees less wages as net license fees to ABC.

DIRECTORS' REPORT

The directors present their report together with the financial report of the consolidated entity consisting of A.B.C. Learning Centres Limited and the entities it controlled, for the half-year ended 31 December 2005 and independent review report thereon. This financial report has been prepared in accordance with the Australian Equivalents of International Financial Reporting Standards.

Directors Names

The names of the directors in office at any time during or since the end of the half-year are:

Mrs Sallyanne Atkinson AO
Mr Edmund S Groves
Dr Le Neve A Groves
Mr Martin V Kemp
Mr William E Bessemer
Mr David J Ryan AO
Hon Lawrence J Anthony

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

A.B.C. Learning Centres Limited (ABC) recorded a profit after tax of $38,066,550 in respect of the half-year ended 31 December 2005. This is an increase of 166.8% over the previous corresponding period demonstrating ABC's expansion through strategic acquisitions and organic growth.

Total revenue increased 214.3% to $219,808,810 reflecting the impact of the acquisition of the Peppercorn Group, Child Care Centres Australia Ltd, Judius Pty Ltd and Childcare Development Solutions Pty Ltd. ABC now operates 752 centres providing childcare to around 40,000 families daily in Australia and New Zealand.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 206% over the previous corresponding period illustrating ABC's ability to successfully integrate new centres and improve their performance. The improvement is also due to a strong half year profit contribution from Judius Pty Ltd and NIECE (National Institute of Early Childhood Education formerly known ABC Early Childhood Training College).

Annualised EBITDA per centre has returned to historical levels of approximately $183,000 per centre while Return on Invested Capital (ROIC) has rebounded strongly. ROIC for the half year ending 31 December 2005 annualised was 12.4%, compared with 8.8% as at 30 June 2005, with the full benefit of the renovation program yet to be seen.

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DIRECTORS' REPORT

The financial report has been prepared for the first time under the Australian Equivalents to International Financial Reporting Standards (AIFRS). Below is a summary of the impact of AIFRS on ABC's profit after tax.

6 months ended 31 December	
Reported Profit After Tax (AIFRS)	$38.1m
+ Change under AIFRS – straight line expensing of property lease payments (post-tax)	$2.9m
+ Employee share expenses	$2.4m
+ Interest expense of RCPS	$1.8m
- Tax adjustment for capital raising deferred tax asset	($1.2m)
Profit After Tax (AGAAP pre goodwill)	$44.0m

Further details regarding the impact of the adoption of these standards is outlined in the financial report in notes 10 to 13.

Since the reporting date of 31 December 2005, ABC has continued its expansion acquiring the Learning Care Group, Inc making ABC the largest listed child care provider in the world.

Auditor's Independence Declaration

A copy of the auditor's independence in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:

Chairman ....
Sallyanne Atkinson AO
Dated this 27 day of February 2006

Director ....
Edmund S Groves
Dated this 27 day of February 2006

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AN INDEPENDENT MEMBER OF BAKER TILLY INTERNATIONAL - OFFICES THROUGHOUT THE WORLD

Auditor's Independence Declaration to the Directors of A.B.C. Learning Centres Limited

In relation to our review of the financial report of A.B.C. Learning Centres Limited for the period ended 31 December 2005, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Pitcher Partners

R C Brown
Partner

Brisbane, 27 February 2006

A.B.C. LEARNING CENTRES LIMITED
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CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	December 2005 $'000	December 2004 $'000
Revenue from Continuing Operations	**3**	**214,194**	**67,833**
Other income	3	5,615	2,101
Changes in Inventories of Finished Goods		(5,862)	-
Employee Benefits Expense		(76,498)	(14,263)
Depreciation and Amortisation Expenses		(5,015)	(2,265)
Finance Costs		(10,421)	(5,289)
Rental & Other Property Expenses		(41,762)	(21,775)
Children Catering & Other Expenses		(9,010)	(3,091)
Advertising and Promotions Expenses		(1,575)	(789)
Insurances		(2,216)	(1,054)
Communication Expenses		(1,563)	(900)
Travel Expenses		(1,740)	(828)
Other Expenses from ordinary activities		(9,576)	(4,392)
Profit before income tax expense		**54,571**	**15,288**
Income tax expense		(16,504)	(1,019)
Profit after tax from continuing operations		**38,067**	**14,269**
Profit attributable to the members of parent		**38,067**	**14,269**
Earnings per share		Cents	Cents
- Basic earnings per share		14.6	10.9
- Diluted earnings per share		14.6	10.8

The accompanying notes form part of these financial statements

A.B.C. LEARNING CENTRES LIMITED
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CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	December 2005 $'000	June 2005 $'000
ASSETS			
Current Assets			
Cash and cash equivalents		107,265	45,560
Receivables		40,461	31,327
Inventories		4,966	4,226
Other Current Financial Assets		2,101	3,649
Other Current Assets		15,064	17,304
Total Current Assets		**169,857**	**102,066**
Non-Current Assets			
Receivables		453	414
Other Financial Assets		58,977	31,093
Childcare Licences		891,830	772,697
Property, Plant & Equipment		119,867	82,714
Intangible Assets		167,932	175,676
Deferred Tax Asset		10,304	8,440
Total Non-Current Assets		**1,249,363**	**1,071,034**
TOTAL ASSETS		**1,419,220**	**1,173,100**
LIABILITIES			
Current Liabilities			
Payables		48,631	56,798
Short-term Borrowings		7,978	4,456
Current Tax Liabilities		9,055	3,061
Provisions		24,538	6,079
Total Current Liabilities		**90,202**	**70,394**
Non-Current Liabilities			
Long-term Borrowings		135,576	246,272
Deferred Tax Liabilities		60,184	59,649
Provisions		1,068	911
Total Non-Current Liabilities		**196,828**	**306,832**
TOTAL LIABILITIES		**287,030**	**377,226**
NET ASSETS		**1,132,190**	**795,874**
EQUITY			
Contributed Equity	5	959,667	630,112
Reserves		116,183	114,033
Retained Profits		56,340	51,729
TOTAL EQUITY		**1,132,190**	**795,874**

The accompanying notes form part of these financial statements

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	December 2005 $'000	December 2004 $'000
Total equity at beginning of the half year		**795,874**	**202,559**
Adjustment on adoption of AIFRS:	13		
- Intangibles		-	(1,025)
- Deferred Tax Asset		-	1,071
- Retained Profits		-	464
- Deferred Tax Liability		-	(1,292)
Gain of revaluation, net of tax		2,456	-
Currency translation difference		(307)	(241)
Net income recognised directly in equity		**2,149**	**(1,023)**
Profit for the half year		**38,067**	**14,269**
Total recognised income and expenses for the half year		**40,216**	**13,246**
Transactions with equity holders in their capacity as equity holders			
- Contributions of equity, net of transaction costs		329,555	476,587
- Dividends provided for or paid		(33,455)	(6,210)
- Redeemable Preference Shares		-	(50,607)
		296,100	419,770
Total equity at the end of the half year		**1,132,190**	**635,575**
Total recognised income and expense for the half year is attributable to:			
- Members of the company		40,216	13,246
		40,216	13,246

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2005

	Notes	December 2005 $'000	December 2004 $'000
Cash flows from operating activities			
Receipts from Customers		228,011	82,516
Payments to Suppliers and Employees		(162,954)	(40,956)
Interest Received		1,707	1,070
Borrowing Costs		(10,169)	(5,289)
Income Tax Paid		(11,835)	(5,583)
Net cash flows from operating activities		**44,760**	**31,758**
Cash flows from investing activities			
Proceeds from sale of Property Plant & Equipment		13,713	-
Proceeds from sale of Investments		10,470	820
Proceeds from sale of Childcare Licences		8,275	-
Loans made to Related Entities		-	(859)
Loans made from / (to) other parties		(22,387)	501
Payment for purchase of subsidiary, net of cash acquired	7	(12,279)	(236,730)
Payment for Property Plant & Equipment		(58,858)	(17,530)
Payment for Investments		(7,475)	(13,928)
Payment for Childcare Licences		(97,531)	(48,785)
Repayment of Loans from / (to) Related Entities		(17)	41
Repayment of Loans from / (to) other parties		2,126	(3,075)
Other		45	(50)
Net cash flows from investing activities		**(163,918)**	**(319,595)**
Cash flow from financing activities			
Proceeds from Issue of shares		331,198	400,531
Share issue Costs		(7,091)	(14,737)
Proceeds from Borrowings		7,824	3,341
Repayment of Borrowings		(143,456)	(54,773)
Dividends paid by parent entity	4	(10,798)	(5,273)
Net cash provided by financing activities		**177,677**	**329,089**
Net increase/(decrease) in cash held		**58,519**	**41,252**
Cash at beginning of the financial period		44,131	2,313
Currency Adjustments		(307)	-
Cash at the end of financial period		**102,343**	**43,565**

The accompanying notes form part of these financial statements

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

This half-year financial report does not include all the notes of the type usually included in an annual financial report. It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2005 and any public announcements made by A.B.C. Learning Centres Limited during the half-year in accordance with any continuous disclosure obligations arising under the Corporations Act.

(a) Basis of accounting

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB I First-time Adoption of Australian Equivalents to lnternational Financial Reporting Standards (AIFRS)
This half-year financial report is the first A.B.C. Learning Centres Limited half-year financial report to be prepared in accordance with AIFRSs. AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of A.B.C. Learning Centres Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the A.B.C. Learning Centres Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting, valuation and consolidation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Group has taken the exemption available under AASB 1 to only apply AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous AGAAP to AlFRSs on the Group's equity and its net income are given in note 10 to 13.

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

Note 1: Statement of Significant Accounting Policies (Continued)

(b) Principles of Consolidation

A controlled entity is any entity controlled by A.B.C. Learning Centres Limited. Control exists where A.B.C. Learning Centres Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with A.B.C. Learning Centres Limited to achieve the objectives of A.B.C. Learning Centres Limited.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profit or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(c) Foreign Currency Translation

(i) Functional and presentation currency
Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is A.B.C. Learning Centres Limited functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as par of the fair value gain or loss. Translation difference on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(iii) Group companies
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

Note 1: Statement of Significant Accounting Policies (Continued)

- Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or borrowings repaid, a proportionate share of such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(e) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(f) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probably that an outflow of resources embodying economic benefits will be require to settle the obligation and a reliable estimate can be made of the amount of obligation.

Note 1: Statement of Significant Accounting Policies (Continued)

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a financial cost.

(g) Segment Reporting

A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(h) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Note 1: Statement of Significant Accounting Policies (Continued)

A.B.C. Learning Centres Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. A.B.C. Learning Centres Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group has notified the Australian Tax Office that it has formed an income tax consolidated group to apply from 30 June 2004. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(i) Receivables

Receivables are carried at nominal amounts less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Receivables are normally on 7-30 day terms.

(j) Childcare Licences

Childcare licences are initially brought to account at cost. Cost includes internal costs which are directly attributable to the acquisition of the childcare licences. The Discounted Future Cash Flow (DFC) method is 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;
(c) other market borrowing rates; and
(d) the general market for childcare licences.

(k) Property, Plant and Equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:-

Buildings – over 20 years
Plant and equipment – over 2 to 15 years

Note 1: Statement of Significant Accounting Policies (Continued)

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount it determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Revaluations
Following initial recognition at cost, land and buildings are carried at a revalued amount which is fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve.

An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

In addition, any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Independent valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset.

Note 1: Statement of Significant Accounting Policies (Continued)

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the period the item is derecognised.

(l) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the term of the lease.

(m) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments, which are classified as held for trading and available-for-sale, are measured at fair value. Gains or losses on investments held for trading are recognised in the income statement.

Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification.

Other long-term investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost using the effective interest method.

Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity.

For investments carried at amortised cost, gains and losses are recognised in income when the investments are derecognised or impaired, as well as through the amortisation process.

Note 1: Statement of Significant Accounting Policies (Continued)

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

For investments where there is no quoted market price, fair value is determined by reference to the current market value of another instrument which is substantially the same or is calculated based on the expected cash flows of the underlying net asset base of the investment.

Purchases and sale of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place are recognised on the trade date (i.e. the date that the Group commits to purchase the asset.)

(n) Borrowings

Bank overdraft
The bank overdraft is carried at its principal amount subject to set off arrangements. Interest is charged as an expense as it accrues.

Bank and other loans
Bank and other loans are carried at their principal amount. These loans are generally borrowed for short terms under long term facilities. The loans are allocated between current and non-current based on the repayment period for the facilities. Interest, where applicable, is charged as an expense as it accrues.

(o) Payables

Liabilities are recognised for amounts to be paid in future for goods and services received, whether or not billed to the economic entity. These liabilities are normally settled on 30 day terms.

(p) Inventory

Inventories are measured at the lower of cost and net realisable value.

(q) Employee Entitlements

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

Note 1: Statement of Significant Accounting Policies (Continued)

(r) Cash

For the purposes of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments with less than 14 days to maturity.

(s) Revenue

Revenue from the rendering of a service is recognised upon delivery of the service to the customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax (GST).

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(u) Converting preference shares

Converting preference shares are brought to account on issue at the value of net proceeds received. The converting preference shares are compound financial instruments where the dividends are at fixed amounts with scheduled dates of payments and the number of ordinary shares to be issued on conversion is in part determined by the market price of ordinary shares at date of conversion. The present value of the interest and principle payable on conversion are discounted at the market rate of interest at issue date and are brought to account as borrowings. The difference between the net proceeds received and the borrowings component is brought to account as equity. Dividends paid on the debt proportion of the converting preference shares are recognised as interest expense in the profit from ordinary activities.

(v) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/0100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest $1,000.

Note 1: Statement of Significant Accounting Policies (Continued)

(w) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of exchange, unless in rare circumstances, it can be demonstrated that the published market price as at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Goodwill is brought to account on the basis described in note 1(x).

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(x)). If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(x) Intangible assets and expenditure carried forward

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

Note 1: Statement of Significant Accounting Policies (Continued)

(y) Earnings per share

Basic earnings per share

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by weighted average number of ordinary shares outstanding during the half year, adjusted for bonus elements in ordinary shares issued during the half year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(z) Share Based Payments

Employee Share Plan (ESP)

A scheme is in place where shares may be issued by the company to employees for no cash consideration. All Australian resident permanent employees (excluding executive directors) who have been continuously employed by the consolidated entity for a period of at least one year are eligible to participate in the scheme. Employees may elect not to participate in the scheme.

Under the scheme, eligible employees may be offered fully-paid ordinary shares in A.B.C. Learning Centres Limited annually for no cash consideration. The market value of these shares are expensed to the income statement when the shares are issued.

Carers and Supporters Share Plan (CSSP)

A.B.C. Learning Centres Limited provides a share allocation to licensees and suppliers each year in return for the services they provide to ABC for no cash consideration. The market value of these shares are expensed to the income statement when the shares are issued.

NOTE 2: SUBSEQUENT EVENTS

On the 11th January 2006 A.B.C. Learning Centres Limited acquired 100% of the Learning Care Group, Inc. Please see note 7(b) for further details of this acquisition.

NOTE 3: REVENUE FOR THE HALF YEAR

	Half-year 2005 $'000	Half-year 2004 $'000
(i) Revenue		
- Service Revenue	214,194	67,833
(ii) Other Income		
- Profit / (Loss) from sale of Investments	692	41
- Profit / (Loss) from sale of Fixed Assets	(47)	(146)
- Profit / (Loss) from sale of CC Licences	860	100
- Profit / (Loss) from sale of Property	1,720	958
- Dividends received	-	12
- Interest received	1,957	1,070
- Rental Revenue	294	11
- Other Income	139	55
	5,615	2,101
Total Revenue	219,809	69,934

NOTE 4: DIVIDENDS PAID AND PROPOSED

Ordinary shares:

	2005	2004
(a) Dividends paid during the half-year Final franked dividend for financial year 30 June 2005: 6.0 cents (2004 5.5 cents)	10,798	5,273
(b) Dividends issued during the half-year through the Reinvestment Plan 30 June 2005:6.0 cents (2004 5.5 cents)	4,239	1,154
(c) Dividend proposed or recognised as a liability Interim franked dividend for the half-year 31 December 2005: 7.0 cents (December 2004 5.0 cents)	18,418	12,479

Redeemable converting preference shares:

Dividends on these shares of $2,030,543 (2004 : 2,030,543) have been classified in the income statement as interest and finance charges because the shares are classified as liabilities.

NOTE 5: ISSUED CAPITAL

	Half-year 2005 $'000	Half-year 2004 $'000
300,314,990 (2004: 247,442,586) fully paid ordinary shares		
At the beginning of the reporting period	630,112	123,598
Shares issued during the year (refer below):		
- Share placements	331,197	400,031
- Scheme of Arrangement	-	108,120
- Dividend reinvestment	4,240	1,154
- On settlements with vendors of FutureOne Ltd Shares	-	500
- Share-based Employee Payments	2,309	1,622
- Elimination of shares held by subsidiary	-	(20,103)
Transaction costs relating to share issues	(8,191)	(14,737)
At reporting date	959,667	600,185

	No.	No.
At the beginning of the reporting period	250,344,916	116,428,216
Shares issued during year (refer below):		
- Share placements	48,887,206	100,007,840
- Scheme of Arrangement	-	30,033,329
- Dividend reinvestment	661,153	270,915
- On settlements with vendors of FutureOne Ltd Shares	-	261,481
- To carers in the centres by way of carer incentives	98,715	270,765
- To staff of the economic entity	323,000	170,040
At reporting date	300,314,990	247,442,586

NOTE 6: SEGMENT INFORMATION

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

	Half-year 2005 $'000	Half-year 2004 $'000
Segment Revenue		
Australia	212,717	66,020
New Zealand	7,092	3,914
Total Revenue from ordinary activities	**219,809**	**69,934**
Segment Results		
Australia	52,021	14,693
New Zealand	2,550	595
Profit from ordinary activities before income tax	**54,571**	**15,288**

NOTE 7: BUSINESS COMBINATION

(a) On the 29th July 2005, A.B.C. Developmental Learning Centres Pty Limited acquired 100% of the issued shares of Childcare Development Solutions Pty Limited the trustee company of the Childcare Development Solutions Unit Trust. In addition, A.B.C. Developmental Learning Centres Pty Limited acquired 100% of the units of the Childcare Development Solutions Unit Trust. The unit trust's principle activity is the provision of childcare services.

The operating results of this newly controlled economic entity have been included in the consolidated statement of financial performance since the date of acquisition. The acquired business contributed revenues of $5,511,436 and net profit of $3,595,186 for the period 29th July 2005 to the 31st December 2005. If the acquisition had occurred on the 1st July 2005, consolidated revenue and consolidated profit before tax for the half-year ended 31 December 2005 would have been $220,111,315 and $54,209,150 respectively.

	Recognised on acquisition 2005	Carrying value 2005
Details of the acquisition are as follows:	**$'000**	**$'000**
Cash	36	36
Debtors	13	13
Childcare Licences	18,017	3,900
Buildings	9,600	9,148
Plant & equipment	111	111
Accruals & Creditors	(312)	(312)
Bank Debt Facilities	(15,377)	(15,377)
Provisions (Operating)	(35)	(35)
	12,053	(2,516)
Goodwill on consideration	262	
Cash Consideration	12,315	
Cash Consideration	12,315	
Less:		
Cash acquired less bank overdraft	(36)	
Outflow of Cash	12,279	

(b) On the 11th January 2006, the consolidated entity acquired 100% of the issued capital of Learning Care Group, Inc. for US$ 159,050,418.

The Learning Care Group is comprised of the holding company Learning Care Group, Inc and the following wholly owned subsidiaries:

- Childtime Childcare, Inc;
- Tutor Time Learning Centre, LLC;
- Tutor Time Learning Centre International, Inc; and
- Tutor Time Franchises, LLC.

At the date of acquisition, the Learning Care group was involved in the childcare and childcare franchise industry.

As the date of acquisition occurred after 31 December 2005 all costs associated with this acquisition are yet to be quantified.

NOTE 8: CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no material change of any contingent liabilities or contingent assets.

NOTE 9: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2005 $'000	2004 $'000
Transactions with related parties:		
Loan disclosures		
Loans were provided to the economic entity by directors, E S & L A Groves.	-	116
Transactions with other related parties		
(i) Mr W E Bessemer is a director of Austock Group Ltd ("Austock").		
Transactions with Austock during the half year were:		
- Acquisition & Merger work for Peppercorn Group	-	1,632
- Payment of commission on Capital Raising	7,901	13,453
- Management Fees	26	26
- Underwriting Fee	-	875
- Share placement Fee	277	-
(ii) Mr E S Groves acquired a 4.08% shareholding in Austock Group Ltd ("Austock") on the 17th January 2005.		
Transactions with Austock from the date of purchase to the half year were:		
- Payment of commission on Capital Raising	7,901	-
- Management Fee	26	-
- Share placement Fee	277	-
(iii) Relatives of directors, E S & L A Groves, operate Queensland Maintenance Services Pty Ltd ("QMS"), which company provides maintenance and capital development services to the economic entity.		
Transactions with QMS during the year were:		
- Maintenance services	801	394
- Capital development services	35,288	10,618
- Advance made	-	870

NOTE 9: RELATED PARTY TRANSACTIONS (Continued)

	2005 $'000	2004 $'000
(iv) Mr E S Groves operates the Brisbane Bullets basketball franchise. Transactions with the Brisbane Bullets involved the payment of advertising by the economic entity. The payments have been made in accordance with the sponsorship agreement detailed in the company's prospectus issued on 28 December 2000		
- Annual sponsorship	200	200
(v) Mr M V Kemp is also a director of Sheramere Pty Ltd ("Sheramere") which company entered into an agreement with the economic entity to sell certain childcare businesses and a childcare management business to the economic entity. Transactions with Sheramere during the year were:		
- Centre operating costs recoverable from Sheramere under the agreement	-	164

NOTE 10: FIRST-ADOPTION OF AIFRS – RECONCILIATION OF EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS

(a) At the date of transition to AIFRS – 1 July 2004

	Notes	AGAAP $'000	Adjustment $'000	AIFRS $'000
ASSETS				
Current Assets				
Cash and cash equivalents		2,313	-	2,313
Receivables		13,555	-	13,555
Inventories		-	-	-
Other Current Financial Assets		983	-	983
Other Current Assets	(i)	22,572	(1,025)	21,547
Total Current Assets		**39,423**	**(1,025)**	**38,398**
Non-Current Assets				
Receivables		267	-	267
Other Financial Assets		1,670	-	1,670
Childcare Licences		235,746	-	235,746
Property, Plant & Equipment		35,762	-	35,762
Intangible Assets		1,072	-	1,072
Deferred Tax Asset	(vi)	113	1,071	1,184
Total Non-Current Assets		**274,630**	**1,071**	**275,701**
TOTAL ASSETS		**314,053**	**46**	**314,099**
LIABILITIES				
Current Liabilities				
Payables		4,605	-	4,605
Short-term Borrowings		19,671	-	19,671
Current Tax Liabilities		1,954	-	1,954
Provisions		246	-	246
Total Current Liabilities		**26,476**	**-**	**26,476**
Non-Current Liabilities				
Long-term Borrowings	(iv)	83,353	50,607	133,960
Deferred Tax Liabilities	(vi)	1,664	1,292	2,956
Provisions		1	-	1
Total Non-Current Liabilities		**85,018**	**51,899**	**136,917**
TOTAL LIABILITIES		**111,494**	**51,899**	**163,393**
NET ASSETS		**202,559**	**(51,853)**	**150,706**
EQUITY				
Contributed Equity	(iv) (ii)	174,009	(50,411)	123,598
Reserves		3,871	-	3,871
Retained Profits		24,679	(1,442)	23,237
TOTAL EQUITY		**202,559**	**(51,853)**	**150,706**

NOTE 10: FIRST-ADOPTION OF AIFRS – RECONCILIATION OF EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS (Continued)

(b) At end of the half-year reporting period under AGAAP – 31 December 2004

	Notes	AGAAP $'000	Adjustment $'000	AIFRS $'000
ASSETS				
Current Assets				
Cash and cash equivalents		43,565	-	43,565
Receivables		19,135	-	19,135
Inventories		-	-	-
Other Current Financial Assets		1,313	-	1,313
Other Current Assets	(i)	39,629	(1,168)	38,461
Total Current Assets		**103,642**	**(1,168)**	**102,474**
Non-Current Assets				
Receivables		341	-	341
Other Financial Assets		5,648	-	5,648
Childcare Licences		428,885	-	428,885
Property, Plant & Equipment		57,133	-	57,133
Intangible Assets	(iii)	239,412	512	239,924
Deferred Tax Asset	(vi)	2,117	5,409	7,526
Total Non-Current Assets		**733,536**	**5,921**	**739,457**
TOTAL ASSETS		**837,178**	**4,753**	**841,931**
LIABILITIES				
Current Liabilities				
Payables	(vii)	56,863	2,049	58,912
Short-term Borrowings		4,464	-	4,464
Current Tax Liabilities		2,407	-	2,407
Provisions		4,724	-	4,724
Total Current Liabilities		**68,458**	**2,049**	**70,507**
Non-Current Liabilities				
Long-term Borrowings	(iv)	80,693	50,607	131,300
Deferred Tax Liabilities	(vi)	2,261	1,328	3,589
Provisions		960	-	960
Total Non-Current Liabilities		**83,914**	**51,935**	**135,849**
TOTAL LIABILITIES		**152,372**	**53,984**	**206,356**
NET ASSETS		**684,806**	**(49,231)**	**635,575**
EQUITY				
Contributed Equity	(iv) (ii)	648,974	(48,789)	600,185
Reserves		3,631	-	3,631
Retained Profits		32,201	(442)	31,759
TOTAL EQUITY		**684,806**	**(49,231)**	**635,575**

NOTE 10: FIRST-ADOPTION OF AIFRS – RECONCILIATION OF EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS (Continued)

(c) At end of the last annual reporting period under AGAAP – 30 June 2005

	Notes	AGAAP $'000	Adjustment $'000	AIFRS $'000
ASSETS				
Current Assets				
Cash and cash equivalents		45,560	-	45,560
Receivables		31,327	-	31,327
Inventories		4,226	-	4,226
Other Current Financial Assets		3,649	-	3,649
Other Current Assets	(i)	18,484	(1,180)	17,304
Total Current Assets		**103,246**	**(1,180)**	**102,066**
Non-Current Assets				
Receivables		414	-	414
Other Financial Assets	(v)	32,696	(1,603)	31,093
Childcare Licences		772,697	-	772,697
Property, Plant & Equipment		82,714	-	82,714
Intangible Assets	(iii)	170,843	4,833	175,676
Deferred Tax Asset	(vi)	2,849	5,591	8,440
Total Non-Current Assets		**1,062,213**	**8,821**	**1,071,034**
TOTAL ASSETS		**1,165,459**	**7,641**	**1,173,100**
LIABILITIES				
Current Liabilities				
Payables	(vii)	52,214	4,584	56,798
Short-term Borrowings		4,456	-	4,456
Current Tax Liabilities		3,061	-	3,061
Provisions		6,079	-	6,079
Total Current Liabilities		**65,810**	**4,584**	**70,394**
Non-Current Liabilities				
Long-term Borrowings	(iv)	195,665	50,607	246,272
Deferred Tax Liabilities	(vi)	57,539	2,110	59,649
Provisions		911	-	911
Total Non-Current Liabilities		**254,115**	**52,717**	**306,832**
TOTAL LIABILITIES		**319,925**	**57,301**	**377,226**
NET ASSETS		**845,534**	**(49,660)**	**795,874**
EQUITY				
Contributed Equity	(iv) (ii)	676,935	(46,823)	630,112
Reserves		114,033	-	114,033
Retained Profits		54,566	(2,837)	51,729
TOTAL EQUITY		**845,534**	**(49,660)**	**795,874**

NOTE 11: FIRST-ADOPTION OF AIFRS – RECONCILIATION OF PROFIT REPORTED UNDER AGAAP TO PROFIT UNDER AIFRS

(a) Reconciliation of profit for the half-year ended 31 December 2004

	Notes	AGAAP $'000	Adjustment $'000	AIFRS $'000
Revenue from Continuing Operations		**67,833**	**-**	**67,833**
Other income		2,101	-	2,101
Employee Benefits Expense	(ii)	(12,641)	(1,622)	(14,263)
Depreciation and Amortisation Expenses	(iii)	(2,313)	48	(2,265)
Finance Costs	(iv)	(3,512)	(1,777)	(5,289)
Rental & Other Property Expenses	(vii)	(19,726)	(2,049)	(21,775)
Children Catering & Other Expenses		(3,091)	-	(3,091)
Advertising and Promotions Expenses		(789)	-	(789)
Insurances		(1,054)	-	(1,054)
Communication Expenses		(900)	-	(900)
Travel Expenses		(828)	-	(828)
Other Expenses from ordinary activities		(4,250)	(142)	(4,392)
Profit before income tax expense		**20,830**	**(5,542)**	**15,288**
Income tax expense	(vi)	(5,321)	4,302	(1,019)
Profit after tax from continuing operation		**15,509**	**(1,240)**	**14,269**
Profit attributable to the members of parent		**15,509**	**(1,240)**	**14,269**

NOTE 11: FIRST-ADOPTION OF AIFRS – RECONCILIATION OF PROFIT REPORTED UNDER AGAAP TO PROFIT UNDER AIFRS (Continued)

(b) Reconciliation of profit for the year ended 30 June 2005

	Notes	AGAAP $'000	Adjustment $'000	AIFRS $'000
Revenue from Continuing Operations		**230,472**	**-**	**230,472**
Other income	(viii)	62,228	(40,023)	22,205
Changes in Inventories of Finished Goods		(1,622)	-	(1,622)
Employee Benefits Expense	(ii)	(76,890)	(3,588)	(80,478)
Depreciation and Amortisation Expenses	(iii)	(10,114)	4,832	(5,282)
Finance Costs	(iv)	(6,478)	(3,544)	(10,022)
Rental & Other Property Expenses	(vii)	(56,633)	(4,585)	(61,218)
Children Catering & Other Expenses		(8,357)	-	(8,357)
Advertising and Promotions Expenses		(1,350)	-	(1,350)
Insurances		(2,918)	-	(2,918)
Communication Expenses		(2,451)	-	(2,451)
Travel Expenses		(2,175)	-	(2,175)
Cost of Sales	(viii)	(40,023)	40,023	-
Other Expenses from ordinary activities	(v)	(15,562)	(1,758)	(17,320)
Profit before income tax expense		**68,127**	**(8,643)**	**59,484**
Income tax expense	(vi)	(15,790)	3,704	(12,086)
Profit after tax from continuing operation		**52,337**	**(4,939)**	**47,398**
Profit attributable to the members of parent		**52,337**	**(4,939)**	**47,398**

NOTE 12: FIRST-ADOPTION OF AIFRS – RECONCILIATION OF CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2005 AS REPORTED UNDER AGAAP CASH UNDER AIFRS

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

NOTE 13:FIRST-ADOPTION OF AIFRS – EXPLANATION OF CHANGES IN ACCOUNTING POLICY ARISING ON FIRST-TIME ADOPTION OF AIFRS

i. The company has impaired formation costs that have been carried as a current asset in the consolidated group's balance sheet under AGAAP. The effect is as follows:

At 1 July 2004: For the group there has been a decrease in retained profits of $1,024,967 and a decrease to other current assets of $1,024,967.

At 31 December 2004: For the group there has been a decrease in retained profits of $1,167,425 and a decrease to other current assets of $1,167,425.

At 30 June 2005: For the group there has been a decrease in retained profits of $1,180,305 and a decrease to other current assets of $1,180,305.

ii. Share Based Payments are provided to selected employees, licensees and suppliers for nil consideration. The market value of the shares are expensed to the income statement when the shares are issued. A corresponding entry is made to increase contributed equity. The effect is as follows:

At 1 July 2004: For the group there has been a decrease in retained profits of $196,267 and an increase in contributed equity of $196,267.

At 31 December 2004: For the group there has been a decrease in retained profits of $1,818,574 and an increase in contributed equity of $1,818,574.

At 30 June 2005: For the group there has been a decrease in retained profits of $3,784,413 and an increase in contributed equity of $3,784,413.

iii. 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. As the goodwill has not been impaired, amortisation has been reversed. The effect is as follows:

At 31 December 2004: For the group there has been an increase in retained profits of $512,299 and an increase in intangible assets of $512,299. Of this $463,975 is a reversal of goodwill relating to an acquisition that occurred during the financial period.

At 30 June 2005: For the group there has been an increase in retained profits of $4,832,150 and an increase in intangible assets of $4,832,150.

iv. The company's redeemable convertible preference shares have been classified as debt. The effect is as follows:

At 1 July 2004: For the group there has been an increase of long term borrowings of $50,607,020 and a decrease to contributed equity of $50,607,020.

At 31 December 2004: For the group there has been a decrease to retained profits of $1,776,726 representing interest expense resulting from the reclassification of redeemable converting preference shares from equity to debt. A corresponding increase to retained profits of $1,776,726 has also been processed which is a reversal of the dividends paid on these shares.

At 30 June 2005: For the group there has been a decrease to retained profits of $3,543,750 representing interest expense resulting from the reclassification of redeemable converting preference shares from equity to debt. A corresponding increase to retained profits of $3,543,750 has also been processed which is a reversal of the dividends paid on these shares.

NOTE 13: FIRST-ADOPTION OF AIFRS – EXPLANATION OF CHANGES IN ACCOUNTING POLICY ARISING ON FIRST-TIME ADOPTION OF AIFRS (Continued)

v. Listed shares held by the consolidated group have been impaired. This impairment has resulted in a decrease to net profits at 30 June 2005 of $1,602,766 with a corresponding decrease to Other Financial Assets.

vi. Under AGAAP income tax expense was calculated by reference to accounting profit after allowing for permanent differences. Deferred tax was not recognised in relation to amounts recognised directly in equity such as costs associated with capital raising. *AASB* 112 *Income Taxes* also requires the Group to use a balance sheet liability method for calculating deferred tax amounts. The effect is as follows:

A deferred tax liability is recognised for the difference between tax and accounting written down value in respect of depreciating assets.

At 1 July 2004: For the group there has been an increase in deferred tax liability of $1,292,014 and a decrease to retained profits of $1,292,014.

At 31 December 2004: For the group there has been an increase in deferred tax liability of $1,328,021 and a decrease to retained profits of $1,328,021.

At 30 June 2005: For the group there has been an increase in deferred tax liability of $2,109,359 and a decrease to retained profits of $2,109,359.

A deferred tax asset arises in relation to capital raising costs recorded in equity that are deductible for taxation purposes over five years. In addition, a deferred tax asset arises where operating leases are recorded for accounting purposes on a straight line basis, however for tax purposes are deductible when incurred.

At 1 July 2004: For the group there has been an increase in deferred tax asset of $1,070,780 and an increase to retained profits of $1,070,780.

At 31 December 2004: For the group there has been an increase in deferred tax asset of $5,408,896 and an increase to retained profits of $5,408,896.

At 30 June 2005: For the group there has been an increase in deferred tax asset of $5,591,592 and an increase to retained profits of $5,591,592.

vii. The company's operating leases are required to be expensed on a straight line basis. The effect is as follows:

At 31 December 2004: For the group there has been a decrease in retained profits of $2,049,343 and an increase in payables of $2,049,343.

At 30 June 2005: For the group there has been a decrease in retained profits of $4,584,674 and an increase in payables of $4,584,674.

viii. Under AIFRS the company is required to show gains from the sale of assets on a net basis. This change does not affect the retained profits of the company but requires a reclassification of $40,022,363 from expenses to revenue.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 9 to 35:

(a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001, and

(b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2005 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that A.B.C. Learning Centres Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Sallyanne Atkinson AO Chairman	Edmund S Groves Director

Brisbane
Dated 27 February 2006

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF A.B.C. LEARNING CENTRES LIMITED

Scope

The Financial Report and Directors' responsibilities

The financial report comprises the income statement, balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for the A.B.C. Learning Centres Limited group ("the consolidated entity") for the half-year ended 31 December 2005. The consolidated entity comprises A.B.C. Learning Centres Limited ("the company") and the entities it controlled at the end of, or during, the half-year.

The Directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review Approach

We have conducted an independent review of the financial report in order for the company to lodge the financial report with the Australian Securities & Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. We performed procedures in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report does not present fairly, in accordance with Accounting Standard AASB 134: Interim Financial Reporting, other mandatory financial reporting requirements in Australia and the Corporations Act 2001, a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows.

Our review procedures were limited to:

i) inquiries of the company's personnel of certain internal controls, transactions, significant accounting estimates and individual items; and
ii) analytical procedures applied to financial data.

An Independent Queensland Partnership. ABN 32 862 011 478

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF
A.B.C. LEARNING CENTRES LIMITED
(continued)

Review Approach (continued)

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

The Australian Auditing Standards do not require, and we have not undertaken, an analysis of the appropriateness of the business decisions made by the Directors or management.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Review Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the A.B.C. Learning Centres Limited group is not in accordance with:

a) the Corporations Act 2001, including:

    i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance for the half-year ended on that date; and
    ii) complying with Accounting Standard AASB 134 : Interim Financial Reporting and the Corporations Regulations 2001; and

b) other mandatory financial reporting requirements.

PITCHER PARTNERS

R C Brown
Partner

Brisbane, 27 February 2006

A.B.C LEARNING CENTRES LIMITED

CORPORATE DIRECTORY

Directors	Chairman	Mrs Sallyanne Atkinson AO (Chairman)
	Executive Directors	Mr Edmund S Groves Dr Le Neve A Groves Mr Martin V Kemp
	Non-Executive Directors	Mr William E Bessemer Mr David J Ryan AO Hon Lawrence J Anthony
Company Secretary		Ms Jillian G Bannan
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Legal Advisers	Freehills Level 42, 101 Collins Street, Melbourne, Vic 3000 Telephone: 61-3-9288 1234 Facsimile: 61-3-9288 1567 Email: business_enquires@freehills.com.au Web Site: www.freehills.com.au	
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