

## APPENDIX 4D: PRELIMINARY FINAL REPORT

### 1.1 Company details and reporting period

A.B.C. Learning Centres Limited

A.B.N. 93 079 736 664

Reporting period – six months ended: 31 December 2007

Previous corresponding period – six months ended: 31 December 2006

### 1.2 Results for announcement to the market

				\$'m
Income from ordinary activities	up	66%	to	1,106.9
Net profit from ordinary activities after tax attributable to members	down	42%	to	37.1
Net profit attributable to members	down	42%	to	37.1

Dividends - current period	Amount per security
	Cents
Interim Dividend – 2008 fully franked at 30% Payable: 4 April 2008	8.0

Dividends - previous corresponding period	Amount per security
	Cents
Interim Dividend – 2007 fully franked at 30% Paid: 30 March 2007	8.0

Record Date for determining entitlements to dividend	20 March 2008
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Net Tangible Assets	Dec'07	Jun'07
Net tangible assets per share	(\$1.75)	(\$2.40)

### 1.3 Compliance Statement

This report is based on the financial report that has been reviewed by our external auditors.

Matthew Horton - Company Secretary

25 February 2008

**COMMENTARY ON RESULTS**

Refer attached media release and the review of operations on page 3.

**FINANCIAL HIGHLIGHTS**

<b>Half-year ended 31 December</b>	<b>2007</b>	<b>2006</b>	<b>% Change</b>
<b>Income</b>	\$ 1,106.9 m	\$ 667.8 m	66%
<b>EBITDA</b>	\$ 158.1 m	\$ 126.0 m	25%
<b>NPAT</b>	\$ 37.1 m	\$ 63.9 m	(42%)
<b>Earnings per share</b>	7.9 cents	16.2 cents	(51%)
<b>Final dividend - fully franked</b>	8.0 cents	8.0 cents	-

**DIVIDEND**

The Directors are pleased to declare an interim fully franked dividend of 8 cents per share.

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 weighted average trading price for shares sold on the ASX on the first day on which the shares are quoted ex-dividend and on the following 4 trading days, rounded up to the next full cent.

<b>Key dates in respect of the dividends are:</b>	
Ex-dividend date	14 March 2008
Record date	20 March 2008
Payment date	4 April 2008

# **A.B.C. Learning Centres Limited**

A.B.N. 93 079 736 664

Condensed Financial report for the half-year ended 31 December 2007

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## **DIRECTORS' REPORT**

The directors of ABC Learning Centres Limited submit herewith the financial report for the half-year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

### **Directors**

The names of the Directors in office at any time during the half-year and to the date of this report are:

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

Directors have been in office since the start of the financial year until the date of this report unless otherwise stated.

### **Review of Operations**

The Group has consolidated operations during the period and focused on the completion of its capital management program. The capital management program which included the issue of 55 million shares raising \$401.5 million culminated in the refinancing of the Group's A\$1.43 billion syndicated debt facilities on 18 December 2007.

The consolidated net profit after income tax attributable to the members of the Group amounted to \$37.1 million. This represents a decrease of \$26.8 million or 42% from the prior corresponding period.

EBITDA has increased from \$126 million to \$158.1 million for the half-year ended 31 December 2007, an increase of \$32 million. From an operational perspective each of the Group's geographic and industry segments has performed in line with management's expectations.

Total dividends for the half-year ended 31 December 2007 of 8 cents per share have been paid or declared this period.

During the financial period the Group has focused on integrating previous acquisitions and securing quality acquisitions that complement the existing portfolio of centres and also meet the Group's investment criteria.

The half-year ended 31 December 2007 has been a period of consolidation as a result of the significant expansion of the Group's operations during the 2007 financial year. During the half year, the Group completed three additional acquisitions, the details of which are included below.

On 19 September 2007, the Group acquired the Leapfrog Nurseries group from Nord Anglia Education plc. The acquisition includes 88 childcare centres and a freehold and long leasehold property portfolio of 41 centres valued at £40.9 million. The total cost of the acquisition was £31.2 million.

On 17 October 2007, the Group completed the acquisition of an additional interest to give it an 80% stake in Mediasphere Pty Ltd. Mediasphere Pty Ltd is a leading digital content publishing company committed to the design and development of connected e-learning communities and portals. The company has developed its own interactive products for the education and corporate sector and is an acknowledged innovative and future-focused company that has adopted Web 2.0 technologies.

On 15 December 2007, the Group completed the acquisition of the New Zealand College of Early Childhood Education. The College is based in Christchurch, New Zealand and provides qualifications in early childhood teaching that are certified by the New Zealand Ministry of Education.

The Group will continue to identify and acquire assets that meet its acquisition and investment criteria. It will also manage, enhance and continue to review its portfolio of centres to maximise both value for the shareholders and continue to provide quality early childhood education in all its centres around the world.

**Auditor's Independence Declaration**

The auditor's independence declaration is included on page 5 of the half-year report.

**Rounding of Amounts**

The Company is an entity to which ASIC Class Order 98/100 applies. Accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest hundred thousand dollars.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors



Sallyanne Atkinson AO  
Chairman



Edmund S Groves  
Director

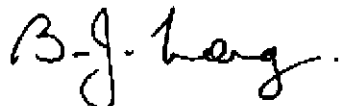
Brisbane, 25 February 2008

## **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 half-year ended 31 December 2007, 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.



Ernst & Young



Brian Long  
Partner  
25 February 2008

To the members of A.B.C. Learning Centre Limited

## Report on the Condensed Half-Year Financial Report

We have reviewed the accompanying half-year financial report of A.B.C. Learning Centres Limited which comprises the balance sheet as at 31 December 2007, and the income statement, statement of recognised income & expense and cash flow statement for the half-year ended on that date, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the half-year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of A.B.C. Learning Centres Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

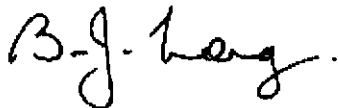
*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of A.B.C. Learning Centres Limited is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 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*.



Ernst & Young



Brian Long  
Partner  
Sydney  
25 February 2008

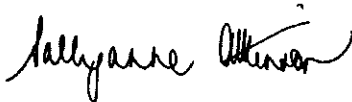
## DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) The attached financial statements and notes set out on pages 9 to 19 are in accordance with the Corporations Act 2001, including:
- (i) complying with Accounting Standards and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) 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.

On behalf of the Directors



Sallyanne Atkinson AO  
Chairman



Edmund S Groves  
Director

Brisbane, 25 February 2008

**INCOME STATEMENT**

CONSOLIDATED FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Note	Consolidated	
		2007 \$'m	2006 \$'m
Revenue from operations	2(a)	1,023.3	657.3
Other income	2(a)	83.6	10.5
<b>Total revenue</b>		<b>1,106.9</b>	<b>667.8</b>
Changes in inventories of finished goods		-	(9.6)
Employee benefits		(615.9)	(351.7)
Depreciation and amortisation		(34.2)	(14.0)
Impairment	2(b)	(1.2)	(0.5)
Finance costs	2(b)	(80.6)	(22.2)
Rental and other property expenses		(167.9)	(106.8)
Children catering and consumables		(46.1)	(25.4)
Advertising and promotions		(8.4)	(7.6)
Insurances		(7.7)	(4.7)
Communication		(7.5)	(4.0)
Travel and motor vehicle expenses		(15.2)	(7.7)
Change in fair value of financial assets (listed shares)		(36.2)	(0.1)
Other expenses		(36.5)	(20.0)
<b>Profit before income tax expense</b>		<b>49.5</b>	<b>93.5</b>
Income tax (expense)/benefit		(12.4)	(29.6)
<b>Profit for the period</b>		<b>37.1</b>	<b>63.9</b>
Attributable to:			
Equity holders of the parent		37.1	63.9
Minority interest		-	-
		<b>37.1</b>	<b>63.9</b>
<b>Earnings per share:</b>			
Basic (cents per share)		7.9	16.2
Diluted (cents per share)		7.9	16.2

The above income statement should be read in conjunction with the accompanying notes

# BALANCE SHEET

CONSOLIDATED AS AT 31 DECEMBER 2007

	Note	Consolidated	
		31 Dec 2007 \$'m	30 Jun 2007 \$'m
<b>Current assets</b>			
Cash and cash equivalents		135.1	227.8
Trade and other receivables		140.7	66.1
Other financial assets		26.0	54.9
Inventories		2.2	0.7
Current tax assets		5.0	-
Other		53.2	30.4
		<b>362.2</b>	<b>379.9</b>
Non-current assets classified as held for sale	7	179.9	12.0
<b>Total current assets</b>		<b>542.1</b>	<b>391.9</b>
<b>Non-current assets</b>			
Trade and other receivables		4.0	4.3
Other financial assets		120.8	120.2
Property, plant and equipment		657.2	549.6
Deferred tax assets		115.8	110.0
Intangible assets		3,055.2	2,891.1
Other		33.0	-
<b>Total non-current assets</b>		<b>3,986.0</b>	<b>3,675.2</b>
<b>Total assets</b>		<b>4,528.1</b>	<b>4,067.1</b>
<b>Current liabilities</b>			
Trade and other payables		312.5	272.5
Financial liabilities		3.3	-
Borrowings		4.4	1,149.7
Current tax liabilities		-	12.3
Provisions		19.6	19.4
<b>Total current liabilities</b>		<b>339.8</b>	<b>1,453.9</b>
<b>Non-current liabilities</b>			
Other payables		17.3	12.3
Financial liabilities		14.9	-
Borrowings	3	1,808.1	610.4
Deferred tax liabilities		96.0	87.4
Provisions		28.9	1.5
<b>Total non-current liabilities</b>		<b>1,965.2</b>	<b>711.6</b>
<b>Total liabilities</b>		<b>2,305.0</b>	<b>2,165.5</b>
<b>Net assets</b>		<b>2,223.1</b>	<b>1,901.6</b>
<b>Equity</b>			
Issued capital	4	2,185.6	1,744.5
Reserves		(129.9)	(15.4)
Retained earnings		167.4	172.5
Parent entity interest		2,223.1	1,901.6
Minority interest		-	-
<b>Total equity</b>		<b>2,223.1</b>	<b>1,901.6</b>

The above balance sheet should be read in conjunction with the accompanying notes

**STATEMENT OF RECOGNISED INCOME & EXPENSE**

CONSOLIDATED FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	2007 \$'m	2006 \$'m
Gain/(loss) on available-for-sale investments taken to equity	(0.3)	3.0
Gain/(loss) on cash flow hedges taken to equity	(6.8)	-
Exchange differences arising on translation of foreign operations	(108.4)	(19.8)
Other	-	-
Income tax on items taken directly to equity	0.1	(0.9)
<b>Net income/(expense) recognised directly in equity</b>	<b>(115.4)</b>	<b>(17.7)</b>
Transfers (net of any related tax):		
Transfer to profit or loss on impairment	(0.5)	-
Profit for the period	37.1	63.9
<b>Total recognised income and expense for the period</b>	<b>(78.8)</b>	<b>46.2</b>
Attributable to:		
Equity holders of the parent	(78.8)	46.2
Minority interests	-	-
	<b>(78.8)</b>	<b>46.2</b>
<b>Effects of changes in accounting policy:</b>		
Attributable to equity holders of the parent		
Increase/(decrease) in retained earnings at the beginning of the period	-	-
Decrease in reserves from reversal of revaluation of childcare licenses	-	(108.9)
Attributable to minority interests	-	-
	-	(108.9)
<b>Effects of restatements</b>		
Attributable to equity holders of the parent		
Increase/(decrease) in retained earnings at the beginning of the period	-	(0.9)
Attributable to minority interests	-	-
	-	(0.9)

The above statement of recognised income and expense should be read in conjunction with the accompanying notes

**CASH FLOW STATEMENT**

CONSOLIDATED FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

	Consolidated	
	2007	2006
Note	\$'m	\$'m
<b>Cash flow from operating activities</b>		
Receipts from customers	988.3	611.6
Payment to suppliers and employees	(907.2)	(547.4)
Dividends received	1.2	1.3
Interest received	7.0	4.4
Interest and other costs of finance paid	(87.0)	(21.1)
Income tax paid	(22.1)	(21.7)
<b>Net cash provided by/(used in) operating activities</b>	<b>(19.8)</b>	<b>27.1</b>
<b>Cash flows from investing activities</b>		
Payment for investments	(33.5)	(201.2)
Proceeds on sale of investments	-	1.7
Proceeds from repayment of loans	4.4	-
Amounts advanced for loans	(19.4)	(32.7)
Payment for property, plant and equipment	(202.3)	(69.4)
Proceeds from sale of property, plant & equipment	2.3	0.6
Payment for intangible assets	(167.5)	(193.3)
Payment for other non-current assets	(33.0)	-
Proceeds from sale of childcare licences	-	9.8
Payment for businesses	8 (73.8)	(262.5)
<b>Net cash used in investing activities</b>	<b>(522.8)</b>	<b>(747.0)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of equity securities	443.6	-
Payment for share issue costs	(8.7)	(0.1)
Proceeds from borrowings	878.5	876.8
Repayment of borrowings	(802.9)	(108.3)
Dividends paid	(42.1)	(20.1)
<b>Net cash provided by financing activities</b>	<b>468.4</b>	<b>748.3</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(74.2)</b>	<b>28.4</b>
Cash and cash equivalents at the beginning of the period	219.6	131.7
Effects of exchange rate changes on the balance of cash held in foreign currencies	(10.6)	(3.7)
<b>Cash and cash equivalents at the end of the period</b>	<b>134.8</b>	<b>156.4</b>
Cash and cash equivalents	135.1	156.4
Borrowings (overdraft)	(0.3)	-
<b>Cash and cash equivalents at the end of the period</b>	<b>134.8</b>	<b>156.4</b>

The above cash flow statement should be read in conjunction with the accompanying notes

## 1. Summary of accounting policies (Con't)

## 1. SUMMARY OF ACCOUNTING POLICIES

## STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with the International Financial Reporting Standard IAS 34 "Interim Financial Reporting". The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

The financial statements were authorised for issue by the directors on 25 February 2008.

## BASIS OF ACCOUNTING

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's most recent annual financial report, other than as disclosed below.

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. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian Dollars, unless otherwise noted.

Rounding of amounts

The company has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest hundred thousand dollars.

Comparatives

In addition to changes made to comparatives as a result of the restatements described below, other comparative amounts have been adjusted to ensure consistent disclosure with the current year. These additional adjustments have been minor in nature and have not resulted in any adjustment to the reported profit after tax or net assets of the Group.

## CHANGE IN ACCOUNTING POLICIES

In the year ended 30 June 2007, the Group changed its accounting policies for revenue recognition and child care licences. Further information is available in the Group's 30 June 2007 financial report.

## RESTATEMENTS

**Finance Costs**

The Redeemable Converting Preference Shares included in the 2006 financial report as non current borrowings, included transaction costs of \$1.9 million as deferred borrowing costs. The deferred borrowing costs should have been amortised over the life of the borrowings with \$0.19 million recognised as an expense in the 31 December 2006 half-year financial report. For the half-year ended 31 December 2006 this misstatement had the effect of understating finance costs by \$0.19 million. The effect was also to overstate the profit of the Group for the half-year ended 31 December 2006 by \$0.19 million.

The cumulative effect of the restatement is to decrease retained earnings at 31 December 2006 by \$1.1 million (1 July 2006: opening retained earnings decrease of \$0.9 million). The misstatement has been corrected by restating each of the affected financial statement line items for the prior year as described above.

**Classification of Borrowings**

In the December 2006 half-year report, bank loans of \$1,022.0 million under the multi-option facility agreement were classified as non-current on the basis that they were "evergreen" borrowings and would continue to be renewed. The Group has reclassified the bank loans in accordance with the requirements of AASB 101 *Presentation of Financial Statements* and has restated the comparative disclosures to correctly apply the requirements of the standards. This restatement has resulted in the 31 December 2006 disclosures for current borrowings and total current liabilities increasing by \$1,022.0 million and non-current borrowings and total non-current liabilities decreasing by the same amount.

During the half year ended 31 December 2007 these bank loans were refinanced under a three year term facility and as such are disclosed as non-current in the current period.

**Depreciation Expense**

In the period ended 31 December 2006, the Group incorrectly included additional depreciation and amortisation expenses of \$2.5 million that should not have been attributed to the period. For the half-year ended 31 December 2006 this misstatement had the effect of overstating depreciation expense by \$2.5 million. The effect was also to understate the profit of the Group for the half-year ended 31 December 2006 by \$2.5 million.

The cumulative effect of the restatement is to increase retained earnings at 31 December 2006 by \$2.5 million (1 July 2006: \$nil opening retained earnings effect). The misstatement has been corrected by restating each of the affected financial statement line items for the prior year as described above.

**ADOPTION OF NEW AND REVISED STANDARDS**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Group's accounting policies in the following areas but has not affected the amounts reported for the current or prior years:

AASB 7 *Financial Instruments: Disclosures* (and AASB 2005-10) AASB 101 *Presentation of Financial Statements* (October 2006 revision)

AASB 123 *Borrowing Costs* (and AASB 2007-6)

AASB Interpretation 10 *Interim Financial Reporting and Impairment*

AASB Interpretation 11 AASB 2 – *Group and Treasury Share Transactions* (and AASB 2007-1)

AASB 2007-4 *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments*

AASB 2007-7 *Amendments to Australian Accounting Standards*

**PRESENTATION OF STATEMENTS**

In the current period the company has presented a Statement of Recognised Income and Expense rather than a Statement of Changes in Equity.

## Notes to the condensed and consolidated financial statements

## 2. Profit from Operations

	Consolidated	
	2007 \$'m	2006 \$'m
<b>(a) Revenue and other income</b>		
Revenue from continuing operations consisted of the following items:		
Childcare:		
Services <sup>1, 2</sup>	970.7	600.0
Franchise & license fees	13.3	6.0
Other	1.4	23.8
Consulting fees	10.0	17.3
Voucher revenue	14.2	-
Dividends, trust and other distributions	4.2	1.9
Interest revenue	7.4	4.2
Other	2.1	4.1
	<u>1,023.3</u>	<u>657.3</u>
Liquidated damages <sup>3</sup>	26.2	1.7
Gain/(loss) on disposal of property, plant, and equipment	0.2	(1.0)
Gain/(loss) on disposal of investments	(0.2)	9.8
Foreign exchange gains	6.3	-
Discount on acquisition of Leapfrog Nurseries (note 8)	51.1	-
	<u>83.6</u>	<u>10.5</u>
Total revenue and other income	<u>1,106.9</u>	<u>667.8</u>
<b>(b) Profit before income tax</b>		
Profit/(loss) before income tax has been arrived at after charging the following expenses:		
Finance costs		
Interest on loans and notes	62.8	18.0
Dividends on instruments classified as financial liabilities	-	2.3
Borrowing costs	17.8	1.9
Total finance costs	<u>80.6</u>	<u>22.2</u>
Net bad and doubtful debts	<u>3.7</u>	<u>1.1</u>
Impairment of goodwill	0.5	0.5
Impairment of investments	0.7	-
Total impairment	<u>1.2</u>	<u>0.5</u>
Share-based payments	<u>6.4</u>	<u>5.3</u>

<sup>1</sup> Represents revenue and income recognized in relation to the childcare operations of the business including parent fees, government childcare benefit, government special childcare benefit, government grants, fees paid by childcare developers to support centres during occupancy growth, centre booking fees, government job search funding, government rehabilitation funding, government trainee funding and government after school care funding.

<sup>2</sup> Includes fees paid by childcare developers of \$73.3 million (2006: nil) to support centres during occupancy growth. This agreement expires on 30 June 2009.

<sup>3</sup> Represents liquidated damages paid by childcare developers for non-performance under developer agreements.



**A.B.C. Learning Centres Limited**  
**Notes to the condensed and consolidated financial statements**

**3. Non-current borrowings**

	Consolidated	
	31 Dec 2007	30 Jun 2007
	\$'m	\$'m
Bank Loans (1)	1,167.6	-
Redeemable Convertible Reset Notes	583.1	583.1
Other Loans	57.4	27.3
	<u>1,808.1</u>	<u>610.4</u>

1. Represents a three year syndicated multi-option facility provided by the company's bankers on an unsecured basis.

- Amount used	1,167.6
- Amount unused	142.4
	<u>1,310.0</u>

**4. Issued capital**

474,739,056 fully paid ordinary shares (30 June 2007:  
412,676,809)

<u>2,185.6</u>	<u>1,744.5</u>
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	31 Dec 2007	31 Dec 2007
	No '000,000	\$'m
<b>Fully paid ordinary shares</b>		
Balance at beginning of the period	412.7	1,744.5
Issue of shares (Tamasek)	55.0	401.5
Issue of shares (other)	7.0	47.5
Transaction costs (net of tax)	-	(7.9)
Balance at end of the period	<u>474.7</u>	<u>2,185.6</u>

**5. Dividends**

**Recognised amounts**

Fully paid ordinary shares:

(a) Final fully franked dividend for the financial year ended 30 June 2007: 9 cents (2006: 8 cents)

	Consolidated	
	2007	2006
	\$'m	\$'m
	<u>42.1</u>	<u>31.4</u>

**Unrecognised amounts**

(b) Interim dividend for the financial year ended 30 June 2008: 8.0 cents (2007: 8.0 cents)

<u>38.0</u>	<u>31.7</u>
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**Redeemable Converting Preference Shares:**

Dividends on these shares of \$nil (2006: \$2.3 million) have been classified in the income statement as interest expense as these shares were classified as liabilities on the balance sheet. On 13 June 2007, the redeemable converting preference shares were converted to ordinary shares.

## Notes to the condensed and consolidated financial statements

## 6. Contingencies and commitments

Since the most recent annual report, the Group has entered into two contracts of US\$21.0 million and US\$54.4 million respectively, for the purchase of groups of childcare centres in the United States of America. The contracts are expected to settle prior to 30 June 2008.

With the exception of the above, there have been no material changes to the commitments and contingencies disclosed in the most recent annual report.

## 7. Non-current assets classified as held for sale

During the period, the Group made a decision to dispose of all property assets as these were considered non-core to the Group's business of operating childcare centres. As a result, the Group has reclassified certain property assets as held for sale. The majority of these properties are expected to be leased back on a long term basis.

## 8. Acquisition of businesses

During the period the Group completed the following acquisitions:

Names of businesses acquired	Principal activity	Date of acquisition	Proportion acquired (%)	Cost of acquisition \$'m
Leapfrog Nurseries <sup>(i)</sup>	Childcare services	19 September 2007	100	71.8
Mediasphere Pty Ltd <sup>(i)</sup>	Online education software	17 October 2007	80 <sup>(ii)</sup>	2.5
New Zealand College of Early Childhood Education <sup>(i)</sup>	Early childhood education training	15 December 2007	100	3.8
				78.1

(i) The initial accounting for the acquisitions during the half-year ended 31 December 2007 have only been provisionally determined as the Group is still in the process of determining the allocation of the fair value of the intangible assets.

(ii) During the period an additional 55% was acquired in Mediasphere Pty Ltd, resulting in the Group having an 80% interest in the company.

## Notes to the condensed and consolidated financial statements

## 8. Acquisition of businesses (cont'd)

Net assets acquired	Leapfrog Nurseries Group			Medlasphere Pty Ltd			New Zealand College of Early Childhood Education			Total fair value on acq'n \$'m
	Book value \$'m	Fair value adj' \$'m	Fair value on acq'n \$'m	Book value \$'m	Fair value adj' \$'m	Fair value on acq'n \$'m	Book value	Fair value adj'	Fair value on acq'n	
<b>CURRENT ASSETS:</b>										
Cash and cash equivalents	3.5	-	3.5	0.3	-	0.3	-	-	-	3.8
Other debtors	4.3	-	4.3	-	-	-	-	-	-	4.3
Receivables	-	-	-	0.1	-	0.1	-	-	-	0.1
Inventories	0.3	-	0.3	-	-	-	-	-	-	0.3
Other	3.4	-	3.4	-	-	-	-	-	-	3.4
<b>NON-CURRENT ASSETS:</b>										
Receivables	-	-	-	-	-	-	-	-	-	-
Other financial assets	-	-	-	-	-	-	-	-	-	-
Property, plant & equipment	113.1	-	113.1	-	-	-	0.1	-	0.1	113.2
Intangible assets	-	89.6	89.6	-	-	-	-	-	-	89.6
Deferred tax assets	-	-	-	-	-	-	-	-	-	-
<b>CURRENT LIABILITIES:</b>										
Payables	76.4	-	76.4	0.5	-	0.5	-	-	-	76.9
Short-term borrowings	14.8	-	14.8	0.1	-	0.1	-	-	-	14.9
Current tax liabilities	0.1	-	0.1	-	-	-	-	-	-	0.1
Provisions	-	-	-	-	-	-	-	-	-	-
<b>NON-CURRENT LIABILITIES:</b>										
Long-term borrowings	-	-	-	-	-	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-	-	-	-
	33.3	89.6	122.9	(0.2)	-	(0.2)	0.1	-	0.1	122.8
Minority Interest			-			0.1			-	0.1
<b>Discount on Acquisition</b>			(51.1)			-			-	(51.1)
<b>Goodwill on Consolidation</b>			-			2.6			3.7	6.3
			71.8			2.5			3.8	78.1
Net Cash Acquired										(3.8)
<b>Consideration for acquired businesses</b>										74.3
<b>Less prior period payments</b>										(0.5)
<b>Payment for Businesses</b>										73.8

As a result of the acquisition of Leapfrog Nurseries, the Group has recognised \$51.1 million in other income in the income statement as an excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the investment. The excess arose as a result of the valuation of the intangible assets which has been valued in accordance with the accounting policies disclosed in the 30 June 2007 annual financial report.

## Notes to the condensed and consolidated financial statements

## 8. Acquisition of businesses (cont'd)

## Current Period – 31 December 2007

From the date of acquisition, 19 September 2007, Leapfrog Nurseries has contributed a \$0.7 million loss to the profit after tax position of the Group.

From the date of acquisition, 17 October 2007, Mediasphere has contributed a \$0.2 million loss to the profit after tax position of the Group.

From the date of acquisition, 15 December 2007, New Zealand College of Early Childhood Education has contributed \$0.0 million to the profit after tax position of the Group.

If the acquisition of Leapfrog Nurseries had taken place at the beginning of the financial year, the profit after tax for the Group would have been \$36.2 million and revenue from continuing operations would have been \$1,134.2 million.

If the acquisition of Mediasphere Pty Ltd had taken place at the beginning of the year, the profit after tax for the Group would have been \$37.1 million and revenue from continuing operations would have been \$1,106.9 million.

If the acquisition of New Zealand College of Early Childhood Education had taken place at the beginning of the year, the profit after tax for the Group would have been \$37.1 million and revenue from continuing operations would have been \$1,106.9 million.

## 9. Segment information

The Group is managed in four primary geographical areas. An analysis of the revenue and results for each geographical segment is set out below.

	Segment Revenue		Segment Result	
	31 Dec 2007	31 Dec 2006	31 Dec 2007	31 Dec 2006
	\$'m	\$'m	\$'m	\$'m
Australia	494.4	454.2	77.0	85.6
United States of America	445.2	193.1	14.6	1.8
United Kingdom	65.8	-	5.6	-
New Zealand	35.1	9.7	7.3	3.6
<b>Total of all segments</b>	<b>1,040.5</b>	<b>657.0</b>	<b>104.5</b>	<b>91.0</b>
Eliminations	-	-	-	-
Unallocated	66.4	10.7	(55.0)	2.5
<b>Consolidated</b>	<b>1,106.9</b>	<b>667.7</b>	<b>49.5</b>	<b>93.5</b>
Income tax expense			(12.4)	(29.6)
Profit after income tax expense			<b>37.1</b>	<b>63.9</b>

Comparative Information: As a result of the matters discussed in note 1 "Restatements" and "Comparatives", the information disclosed in this segment information note has been restated, and where applicable, reclassified to ensure the consistency of comparative information. These changes have resulted in changes to comparative disclosures within the tables showing "Segment Revenues" and "Segment Result".

## 10. Subsequent events

No other matter or circumstance has arisen since 31 December 2007 that has significantly affected, or may significantly affect:

- the Group's operations in future financial years; or
- the results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

**11. Corporate Directory**

A.B.C. Learning Centres Limited is a listed public company, incorporated in Australia. The company operates in Australia, New Zealand, the United States of America and the United Kingdom.

**Registered office**

43 Metroplex Avenue  
Murarrie  
Queensland, Australia 4172

**Principal place of business**

43 Metroplex Avenue  
Murarrie  
Queensland, Australia 4172

**Share Registry**

Registries Limited  
PO Box R67  
Royal Exchange  
SYDNEY NSW 1223

**Financial & Accounting Advisers**

PricewaterhouseCoopers  
2 Southbank Boulevard  
SOUTHBANK VIC 3006

Harris Black Chartered Accountants  
Level 2, 262 Adelaide Street  
BRISBANE QLD 4000

**Legal Advisers**

Freehills  
Level 42, 101 Collins Street  
MELBOURNE VIC 3000

**Auditors**

Ernst & Young  
Level 5, 1 Eagle Street  
BRISBANE QLD 4000