

12 August 2016

Market Announcements Platform  
Australian Securities Exchange  
(Via ASX Online)

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## **PRELIMINARY FINAL RESULTS**

### **For Announcement to the Market**

In accordance with ASX Listing Rule 4.3A, Academies Australasia Group Limited (ASX:AKG) provides as follows its Preliminary Final Report (Appendix 4E) for the year ended 30 June 2016.

Chris Grundy  
Company Secretary

*For further information call Chris Grundy, CFO, or Christopher Campbell on +61 2 9224 5555.*

*Academies Australasia has been operating for 108 years and listed on the Australian Securities Exchange for 38 years. The group comprises 18 separately licensed colleges operating in New South Wales, Victoria, South Australia, Western Australia and Queensland in Australia, and in Singapore. The group offers more than 250 qualifications in a wide range of recognised courses at different levels – Certificates, Diplomas, Advanced Diplomas and Bachelor and Master Degrees. Over the years, Academies Australasia colleges have taught tens of thousands of students from 122 countries, including 6 dependencies.*

# Appendix 4E

## Preliminary Final Report

Introduced 1/1/2003.

### ACADEMIES AUSTRALASIA GROUP LIMITED

ABN: 93 000 003 725

1.	Financial year ended ('reporting period')	30-Jun-16
	Financial year ended ('previous corresponding period')	30-Jun-15

#### 2. Results for announcement to the market

		\$A'000			
Movements from previous corresponding period					
2.1	Revenues from ordinary activities ( <i>item 3.1</i> )	down	3%	to	\$55,212
2.2	Profit (Loss) from ordinary activities after tax ( <i>item 3.7</i> )	down	\$4,485	to	\$(4,312)
2.3	Net profit (loss) for the period attributable to owners of the parent entity ( <i>item 3.13</i> )	down	\$4,223	to	\$(4,226)
2.4	Net profit (loss) for the period attributable to/from non-controlling interest ( <i>item 3.12</i> )	down	\$262	to	\$(86)
2.5	Revenue decreased by \$1.73 million (3%) to \$55.21 million. While revenues of certain colleges grew significantly, this growth was offset by a few which had lower revenues. The big disappointment was Spectra Training where revenue declined by \$4.8 million (39%) compared to FY15.				
2.6	Earnings before Interest, Tax, Depreciation and Amortization (EBITDA) for FY16 were a loss of \$2.91 million compared to a profit of \$1.97 million in FY15. This EBITDA loss was mainly because of Spectra Training's EBITDA loss of \$3.04 million.				
2.7	On 29 April 2016, the Group announced that EBITDA for FY16 was estimated to be a loss of \$1.45 million. The following items were identified and recognised since the announcement:				
	a. Reduction in value of investment in Redhill Education Limited ('RDH')				763
	b. Additional provision (due to better performance - in accordance with contracted terms) for the final tranche payment for the acquisition of Skills Training Australia				185
	c. Relocations and Renovations				156
	d. Re-estimation of future Employee Entitlements (Victoria)				121
	e. Bad debts (Spectra Training)				120
	f. Licensing and Registrations				87
	g. Other (2%)				28
2.8	As forecast in the 29 April announcement, Spectra Training's performance in the last quarter of FY16, following its reorganisation, was substantially better than that for the first 3 quarters of the year. That last quarter showed an EBITDA loss of \$213,000 (9% better than forecast) compared to an average of \$942,000 loss for each of the first quarters.				
2.9	Our auditors have advised us that they expect to issue an unqualified opinion on the financial report. However, their report will include a paragraph on 'Emphasis of Matter' ('EOM'). The need for the EOM arises from the net loss of \$4.3 million for FY16 and the current liabilities at 30 June 2016 being \$15.69 million more than current assets. The latter point comes about because all debt at 30 June 2016 is being shown as current: at that date the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months. The Group has an offer to extend its financial arrangements dated 30 June 2016. This offer has not yet been executed.				

- 2.10 The Board believes that it is appropriate that the Group's financial statements continue to be prepared on a 'Going Concern' basis. The following factors support this assumption:
- a. Positive cash flow for the year of \$1.04 million.
  - b. Positive cash flow from operations for the year of \$1.10 million.
  - c. Substantial cash holdings across the Group of \$8.07 million of which \$7.00 million is required to be held in the TPS controlled accounts.
  - d. Repayment of \$3.24 million of bank debt during the year and servicing of all debt interest obligations.
  - e. As at 30 June 2016, bank debt (excluding contingent facilities) had been reduced to \$12.30 million. Since that date it has been reduced to \$11.42 million. Annually, \$3.24 million is amortised.
  - f. Positive net assets of \$25.09 million.
  - g. Support of majority shareholders through a short-term loan extended to Group during the year. See 2.11 below.
  - h. Non-core assets in excess of \$2 million are available to reduce the level of debt. See 2.15 below.
  - i. In the latter part of FY16, significant efforts were made to rationalise the cost structures of the business. As a result, more than \$4.0 million will be saved annually.
  - j. Included in net current liabilities are tuition fees paid in advance, of \$14.71 million. This is not an amount payable in the ordinary course of business. It will be recognised as income as tuition is delivered.
- 2.11 During the year, two Directors, Chiang Meng Heng and Christopher Elmore Campbell, extended short-term loans of \$1.0 million and \$0.5 million respectively, to the Group. Together, they have relevant interests exceeding 50% of the shares in the Company. Messrs Heng and Campbell have advised the Board that they are prepared to allow their loans to continue until 31 January 2017. They also advised that in the event of a Board-approved rights issue, their loans will be applied towards the rights arising from the shares in which they have an interest.
- 2.12 The Group has gone through a very challenging period. The main problem in FY16 was Spectra Training which singularly led the Group into negative EBITDA. The Board believes that Spectra Training's decline has been arrested. During the year, there were also significant one-off expenses that the Board does not expect to be repeated.
- 2.13 The Board continues to carefully review the Group's strategies and targets as well as its financial requirements.
- 2.14 New arrangements have been made for the completion of the acquisition of Skills Training Australia. The vendor has agreed that for the third tranche payment ('the Final Payment'), instead of cash payment at 31 August 2016, the vendor will accept the issue of 800,000 new AKG shares to represent settlement of \$200,000 of the Final Payment with 60% of the Final Payment (less \$200,000) to be paid by 28 February 2017 and the balance of the Final Payment to be paid by 30 June 2017. The amount of the Final Payment is being confirmed.
- 2.15 The investment in RDH was written down to 85 cents a share (market value at 30 June 2016) booking a loss of \$1.16 million for the year.
- 2.16 The Group manages its business as a single cash generating unit. Each college benefits from other colleges as the Group shares course materials, teachers and students.
- 2.17 After the Preliminary Final Results for 2015 were issued on 24th August 2015 the Group early-adopted AASB 15 "Revenue from Contracts with Customers" and re-presented its results in its Annual Report for the year ended 30 June 2015. Amounts for the previous corresponding period provided in this report are those as per the Annual Report for 2015.

### 3. Condensed consolidated income statement

	Reporting period - \$A'000	Previous corresponding period - \$A'000
3.1 Revenues from ordinary activities <i>(see items 3.13 - 3.14)</i>	55,212	56,945
3.2 Unrealised fair value gain (loss) on investment	(1,163)	606
3.3 Expenses from ordinary activities <i>(see item 3.15)</i>	(58,839)	(57,023)
3.4 Finance costs	(1,089)	(916)
3.5 <b>Profit (Loss) from ordinary activities before tax</b>	(5,879)	(388)
3.6 Income tax expense on ordinary activities	1,567	561
3.7 <b>Profit (Loss) from ordinary activities after tax</b>	(4,312)	173
3.8 <b>Other comprehensive income</b>		
3.9 Exchange differences on translating foreign controlled entities	(20)	35
3.10 Income tax on other comprehensive income	-	-
3.11 <b>Total comprehensive income</b>	(4,332)	208
3.12 <b>Profit attributable to non-controlling interest</b>	(86)	176
3.13 <b>Profit attributable to members of the parent entity</b>	(4,226)	(3)
3.14 Revenue from sales and services		
- Services	54,985	56,755
3.15 Other revenue		
- Rental income	-	109
- Interest	227	81
3.16 Details of expenses		
- Depreciation and amortisation	1,882	1,519
- Student acquisition and teaching	25,359	24,167
- Personnel expenses	16,813	17,621
- Premises expenses	8,833	7,589
- Other admin expenses	5,952	6,127

4 **Condensed consolidated balance sheet**

	Reporting period - \$A'000	Previous corresponding period - \$A'000
<b>Current assets</b>		
4.1 Cash	8,068	7,078
4.2 Receivables	8,731	8,884
4.3 Other		
- Prepayments	3,857	3,225
- Other	706	871
4.4 Investments	2,060	3,224
4.5 <b>Total current assets</b>	<b>23,422</b>	<b>23,282</b>
<b>Non-current assets</b>		
4.6 Receivables	3,018	4,553
4.7 Plant and equipment	6,293	6,790
4.8 Deferred tax assets	3,459	1,820
4.9 Intangibles	32,924	33,097
4.10 <b>Total non-current assets</b>	<b>45,694</b>	<b>46,260</b>
4.11 <b>Total assets</b>	<b>69,116</b>	<b>69,542</b>
<b>Current liabilities</b>		
4.12 Payables	23,152	20,354
4.13 Current tax payable	61	-
4.14 Short-term borrowings	13,975	5,653
4.15 Short-term provisions	1,928	1,750
4.16 <b>Total current liabilities</b>	<b>39,116</b>	<b>27,757</b>
<b>Non-current liabilities</b>		
4.17 Payables	-	1,300
4.18 Deferred tax liability	-	-
4.19 Long-term borrowings	-	9,825
4.20 Long-term provisions	4,912	5,098
4.21 <b>Total non-current liabilities</b>	<b>4,912</b>	<b>16,223</b>
4.22 <b>Total liabilities</b>	<b>44,028</b>	<b>43,980</b>
4.23 <b>Net assets</b>	<b>25,088</b>	<b>25,562</b>
<b>Equity</b>		
4.24 Share capital	36,504	32,533
4.25 Retained profits (accumulated losses)	(11,603)	(7,377)
4.26 Foreign currency translation reserve	73	93
4.27 Non-Controlling Interest	114	313
4.28 <b>Total equity</b>	<b>25,088</b>	<b>25,562</b>

5 **Condensed consolidated cash flow statement**

	Reporting period - \$A'000	Previous corresponding period - \$A'000
<b>Cash flows from operating activities</b>		
5.1 Receipts from customers	56,985	60,047
5.2 Payments to suppliers and employees	(55,468)	(57,751)
5.3 Interest received	227	190
5.4 Finance costs	(1,069)	(916)
5.5 Income taxes paid	427	(932)
5.6 <b>Net operating cash flows</b>	<b>1,102</b>	<b>638</b>
<b>Cash flows from investing activities</b>		
5.7 Proceeds from sale of plant and equipment	12	32
5.8 Purchases of plant and equipment	(981)	(649)
5.9 Net cash on acquisition of subsidiary	(1,464)	(9,366)
<b>Net investing cash flows</b>	<b>(2,433)</b>	<b>(9,983)</b>
<b>Cash flows from financing activities</b>		
5.10 Proceeds from borrowings	1,573	10,476
5.11 Dividends paid	(47)	(2,874)
5.12 Proceeds from share issue	3,971	-
5.13 Repayment of borrowings	(3,126)	(1,472)
5.14 <b>Net financing cash flows</b>	<b>2,371</b>	<b>6,130</b>
5.15 <b>Net increase in cash held</b>	<b>1,040</b>	<b>(3,215)</b>
5.16 Net cash at beginning of period	4,618	7,833
5.17 <b>Net cash at end of period</b>	<b>5,658</b>	<b>4,618</b>

5.18 **Non-cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

- Devaluation of investments to market value \$1,163,000

5.20 **Reconciliation of cash**

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash ( <i>item 4.1</i> )	8,068	7,078
Bank overdraft (included in Payables ( <i>item 4.12</i> ))	(2,410)	(2,460)
5.21 Net cash on hand and at bank ( <i>item 5.17</i> )	5,658	4,618

6. **Dividends**

There were no dividends declared or paid during the period.

7. **Dividend reinvestment plans**

No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

8. **Statement of retained earnings**

	Reporting period - \$A'000	Previous corresponding period - \$A'000
8.1 Retained profits (accumulated losses) at the beginning of the financial period	(7,377)	(4,581)
8.2 Net profit (loss) attributable to members ( <i>item 3.13</i> )	(4,226)	(3)
8.3 Dividend paid	-	(2,793)
8.4 Retained profits (accumulated losses) at end of financial period	(11,603)	(7,377)

9. **Net tangible Assets**

Net tangible asset backing per ordinary share

<sup>a</sup> Based on 75,362,979 shares at 30 June 2016

<sup>b</sup> Based on 62,063,484 shares at 30 June 2015

Reporting period	Previous corresponding period
(10.4) cents <sup>a</sup>	(12.1) cents <sup>b</sup>

10. **Gain or loss of control over entities**

There was no gain or loss of control over the entities in the Group during the year.

11. **Associates and joint venture entities**

No member of the Group held an interest in, or participated in the results of, a joint venture.

12. **Other significant information**

Refer items 2.5 to 2.17 above.

13. **Foreign entities**

The Group owns 100% of ACA Investment Holdings Pte. Limited which owns 100% of Centre for Australian Education Pte. Limited and 100% of Academies Australasia College Pte. Limited. All these entities are incorporated in Singapore.

14. **Issue of New Shares**

On 16 November 2015, Academies Australasia Group Limited issued 13,299,495 new fully paid ordinary shares raising \$3,971,000 under a fully subscribed renounceable rights issue.

15. **Commentary on results**

15.1 **Earnings per security (EPS)**

Basic EPS

Diluted EPS

Options

No options were on issue during the period under review.

Reporting period	Previous corresponding period
(6.0) cents	0.9 cents
(6.0) cents	0.9 cents

15.2 Returns to shareholders.

No dividend for 2016 has been paid or proposed.

15.3 Significant features of operating performance.

Refer items 2.5 to 2.17 above.

15.4 The Company has only one operating segment, being Education

15.5 Ratios.

**Profit before tax / revenue**

Consolidated profit from ordinary activities before tax (*item 3.5*) as a percentage of revenue (*item 3.1*)

**Profit after tax / equity interests**

Consolidated net profit from ordinary activities after tax attributable to members (*item 3.13*) as a percentage of equity at the end of the period (*item 4.28*)

Reporting period	Previous corresponding period
-10.65%	-0.68%
-16.84%	-0.01%

16. This report is based on accounts which are in the process of being audited.

17. These accounts are not likely to be subject to dispute or qualification.

The Group's accounts will contain an independent audit opinion which includes an Emphasis of Matter paragraph. The paragraph will draw attention to disclosures in the accounts which show that:

- the Group had a net loss of \$4.31 million (2015: profit \$0.17 million) for the year ended 30 June 2016;
- the Group had net current liabilities of \$15.69 million (2015: net current liabilities of \$4.48 million) as at 30 June 2016;
- the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months as at 30 June 2016 and, as a result, has classified all bank facilities as current liabilities as at that date; and
- the Group accounts have been prepared adopting the going concern assumption, which contemplates the orderly realisation of assets and payment of liabilities in the ordinary course of business.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The appropriateness of the going concern assumption is dependent upon:

- the continued support of the Group's bankers;
- the continued support of the Group's majority shareholders who have extended loans to the Group;
- the ability of the Group to return to profitable trading; and
- the orderly realisation of assets in the ordinary course of business at values at least equal to their book values.

Chris Grundy  
(Chief Financial Officer)

Date: 12 August 2016