Affinity Education Group Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Affinity Education Group Limited
ABN:	37 163 864 195
Reporting period:	For the year ended 31 December 2014
Previous period:	For the period ended 31 December 2013

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	2943.0%	to	111,890
Loss from ordinary activities after tax attributable to the owners of Affinity Education Group Limited	down	53.4%	to	(4,124)
Loss for the year attributable to the owners of Affinity Education Group Limited	down	53.4%	to	(4,124)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the Company after providing for income tax amounted to $4,124,000 (31 December 2013: $8,856,000).

The results represent the Company's first full year of operations. The prior period comparative reflects the Company's performance from its incorporation date, 21 May 2013 to 31 December 2013. The loss includes acquisition and integration expenses of $16.3 million (2013: $8.1 million) which primarily comprise agent commissions (calculated as a percentage of purchase price), stamp duty and advisor expenses.

The Company made earnings before interest, income tax, depreciation and amortisation ('EBITDA') of $1.5 million (2013: loss of $9.3 million). Excluding acquisition and integration expenses, the Company made Underlying EBITDA of $17.9 million (2013: loss of $1.2 million). The significantly improved performance reflects the first full year of contribution from the child care centres acquired at the Initial Public Offer ('IPO') and the contribution from child care centres acquired during the year.

On 8 April 2014, the Company announced a 3 for 4 pro-rata accelerated renounceable entitlement offer ('Entitlement Offer') at an offer price of $1.12 per share. The institutional and retail offers were successfully completed on 11 April 2014 and 5 May 2014 respectively raising a total of $75.2 million. On 28 August 2014 the Company entered into an agreement increasing its banking facilities from $29.0 million to $115.5 million, including a $100 million acquisition facility.

During the year the Company used the proceeds from the Entitlement Offer, cash flows from operating activities and the acquisition facility to purchase 67 child care centres for a total consideration of $110.9 million. As part consideration for 29 of the 67 child care centres, the Company issued 11.0 million shares to vendors.

The acquisitions, together with organic growth, have contributed to an increase in the number of configured places from 4,279 as at 31 December 2013 to 9,621 at 31 December 2014, a 125% increase.

Occupancy levels continued to improve throughout the first full financial year reflecting the seasonality of the child care industry and management's growth initiatives. Child care fee increases were implemented on a centre-by-centre basis throughout the year taking into account localised supply and demand factors.

Expenses associated with centre based staff continue to represent the largest single expense item and as a percentage of revenue have trended downwards throughout the year. Active management of employee expenses, while maintaining the highest possible standards of care, remains a key area of management focus.

Strategy and future performance
The Company's aim is to achieve efficiencies and economies of scale through the integration of both individual and multiple centres. The Company's strategy is to grow its business and drive future performance through:
- Organic growth, including improvements in revenue levels and efficiencies gained from corporatising a large portfolio of centres; and
- A considered and disciplined acquisition strategy.

On 22 July 2014, the Productivity Commission completed the first stage of its inquiry into childcare and early childhood learning and released its draft report. The objectives of the inquiry are to examine and identify future options for a child care system that:
- Supports workforce participation;
- Addresses learning and development needs of children;
- Is more flexible to suit the needs of families; and
- Is based upon fiscally sustainable funding arrangements.

The draft report included recommendations to simplify the subsidy process and increase sector funding to $8 billion per annum, with the aim of making access to childcare services more attainable to a larger number of Australian families. The Company believes that its business model strongly supports the objectives of the inquiry and is confident in the strong underlying fundamentals that support its future growth.

The Productivity Commission's final report was released to the public on 20 February 2015. A key initiative put forward in the Report is the proposed change into a combined subsidy (ECLS) provided by government. This initiative would see higher proportional support redistributed towards lower and middle earning families, which would benefit those households. Affinity Education's centres are diversified across a wide range of socio economic areas, so are well placed to take advantage of any increase in demand. Delivery of affordable childcare services remains central to meeting future childcare service demand and Affinity Education will continue to engage with government to ensure that the needs of families are supported.

Summary statement of cash flows
During the year the Company raised $75.2 million from the issue of shares as part of the Entitlement Offer which, together with $22.1 million from the acquisition facility and cash flow from operations, has been used to acquire child care centres. Cash flows from operating activities of $3.5 million include $14.1 million of payments relating to acquisition costs. Excluding acquisition costs, cash flows from operating activities were $17.6 million.

Summary statement of financial position
As at 31 December 2014, the Company has a net asset position of $148.2 million (2013: $65.4 million) driven primarily by intangible assets of $172.7 million (2013: $62.1 million) which comprise mainly goodwill arising on the acquisitions of the child care centres.

Working capital
The Company actively manages working capital to ensure it is utilised in an efficient manner. The working capital position benefits from a customer payment cycle which is shorter than the creditor payment cycle and management has also utilised operational cash flows for acquisitions instead of drawing down debt.

Debt position
As at 31 December 2014 the Company had banking facilities of $115.5 million. The Company had utilised $21.7 million in relation to the purchase of child care centres, $8.1 million in relation to bank guarantees and $1.4 million in relation to credit cards and finance leases.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(14.60)	3.71

4. Control gained over entities

Not applicable.

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5. Loss of control over entities

Not applicable.

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6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

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7. Dividend reinvestment plans

Not applicable.

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8. Details of associates and joint venture entities

Not applicable.

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9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

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10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

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11. Attachments

Details of attachments (if any):

The Annual Report of Affinity Education Group Limited for the year ended 31 December 2014 is attached.

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12. Signed

Signed Paul V G ______________________________ Date: 26 February 2015

Paul Cochrane
Chief Financial Officer
Brisbane