Affinity Education Group Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Affinity Education Group Limited
ABN:	37 163 864 195
Reporting period:	For the half-year ended 30 June 2015
Previous period:	For the half-year ended 30 June 2014

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2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	126.4%	to	87,079
Loss from ordinary activities after tax attributable to the owners of Affinity Education Group Limited	down	58.9%	to	(2,056)
Loss for the half-year attributable to the owners of Affinity Education Group Limited	down	58.9%	to	(2,056)

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

Comments
The loss for the Group after providing for income tax amounted to $2,056,000 (30 June 2014 loss: $5,002,000).

Review of Operations
The Group delivered a significant increase in underlying earnings before interest, income tax, depreciation and amortisation ("Underlying EBITDA") of $8.6 million up 76% on the prior year (2014: $4.9 million). After acquisition expenses, which the Group expenses in accordance with IFRS, the group made an EBITDA of $2.0 million which again was a significant improvement on last year (2014: $2.9 million loss).

After providing for income tax, the Group saw a loss of $2.1 million, again significantly up on the prior year (30 June 2014: loss of $5.0 million).

The expensing of acquisition costs in accordance with IFRS of $6.6 million (2014: $7.8 million) comprise agent commissions (calculated as a percentage of purchase price), stamp duty and due diligence related expenses. This result was an improvement in the target set by the Group for FY15 with the cost representing 7.9% of acquisition value, a significant reduction of expense as a percentage of purchase price, relative to the prior year. This result demonstrates the group's intention to improve its financial performance whilst still maintaining a strong appetite for continued growth.

On 12 March 2015, the Company announced an 8 for 21 pro-rata accelerated renounceable entitlement offer at an offer price of $1.18 per share. The institutional and retail offers were completed on 24 March 2015 and 14 April 2015 respectively raising $75.3 million. The entitlement offer was conducted to enable the purchase of a portfolio of child care and early education centres and recapitalise the Group's balance sheet to enable continued future growth. For the first time the Group provided a growth target of between 20%-25% per annum.

Occupancy at the Group's child care centres has improved through the half year period as a result of industry seasonality and centre specific occupancy improvement initiatives. Occupancy continues to improve into the second half of the year providing an expectation of a much stronger second half performance for 2015. The Group has also seen improvement in average fees collected with fees increasing 5.7% across 2015, and in line with growing revenue, improving wage to revenue performance over the year.

Strategy and Future Performance
The education sector is set to continue to receive strong support from Government and still provides high levels of fragmentation, where the Group's aim is to continue to achieve growth for shareholders through organic and acquisitive opportunities. By delivering efficiencies and economies of scale through effective integration the Group will improve its current margin performance and increase shareholder returns. Disciplined investment will continue to target growth in our people and deliver greater value to our families and children, which will underpin the Group's improved financial returns.

Summary Statement of Cash Flows
During the half year to 30 June 2015 the Company raised $75.3m from the issue of shares as part of an accelerated renounceable entitlement offer, which combined with borrowings and operating cash flows resulted in the acquisition of child care centres totalling $81.6 million.

Most pleasing for the group was the cash flows from operating activities of $9.3 million, which included $6.3 million of payments relating to acquisition costs. Excluding acquisition costs, cash flows from operating activities were $15.6 million, up significantly on 2014 and a strong indication of the positive cash generation from the group's centres.

Summary Statement of Financial Position
As at 30 June 2015, the Group has a net asset position of $219.3million driven primarily by intangible assets of $254.1 million comprising mainly goodwill on the acquisitions of child care centres. The Group saw continued growth in the goodwill position as a result of the acquisition of $81.6m of new centres to the group's portfolio. The group is in strong debt funding position with only $33.9 million of borrowings offsetting the Group's assets, equating to gearing of approximately 13% (debt / debt + equity).

Working Capital
The Group 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. The operational cash flow continues to strengthen as demonstrated by significant improvement relative to 2014. Continued increases in cash generation and access to debt funding places the Group in strong capital position.

Debt Position
As at 30 June 2015 the Group remained in a strong funding position with available banking facilities of $117.5 million. The Group had utilised only $33.9 million in relation to its acquisition facility, $10.2 million in relation to bank guarantees and $0.7 million in relation to Group credit cards and finance leases, leaving $72.7 million available as at 30 June 2015. Strengthening this position even further is the $13.2m cash the Group retains as at 30 June 2015.

As announced on 15th June 2015, the Group has extended and improved its existing debt facilities by 12 months to June 2018, the interest rate margins have also been reduced, with an increase of $2m provided in relation to the total facility limit and the reporting requirements under the facility have also reduced.

The favourable changes in Group's funding arrangements reflect the maturity of the group and the ongoing support of its principal lender. The Group has received interest from a number of additional lenders who wish to increase the group's borrowing capacity. The Group will pursue potential additional arrangements at the time that best meets the Group's needs.

Outlook
The Group maintains a positive outlook, strengthening it's full year underlying EBITDA guidance to $30m to $32m on the back of continuing improvement in occupancy, wage to revenue and overhead efficiency. The Group is expecting to continue its growth plans with the available capacity from its strong balance sheet and continued access to debt from Australian banks. Further growth is expected to improve the leverage from the corporate platform that the Group has invested in, which is expected to improve returns to shareholders. Continued increases in the returns generated by the Group are expected to enable the commencement of the Group's dividend program for 2015, which are expected to be paid in early 2016.

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3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(15.01)	(14.60)

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4. Control gained over entities

Name of entities (or group of entities)	NTL Investments Pty Ltd, BHL Childcare Limited, and their related entities

Date control gained	20 March 2015, 27 March 2015

	$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	1,948
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

5. Loss of control over entities

Name of entities (or group of entities)	Not Applicable
Date control lost	

	$'000
Contribution of such entities to the reporting entity's profit/(loss) from ordinary activities before income tax during the period (where material)	-
Profit/(loss) from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	-

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.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

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

Not applicable.

10. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of Affinity Education Group Limited for the half-year ended 30 June 2015 is attached.

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12. Signed

Signed ______________________________ Date: 18 August 2015

Paul Cochrane
Chief Financial Officer
Brisbane