

# Annual General Meeting 2016



ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

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- Opening Address from Chairman
- Business Update from Interim CEO
- Resolutions as per Notice of Meeting
- General Business
- Close of Annual General Meeting

# › Profit and Loss



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\$ million	Unaudited 3 months to 30.09.16	Unaudited 3 months to 30.09.15	Audited H2 FY16 6 months	Audited FY16 12 months
<b>Revenue by segment</b>				
Labour hire	67.1	62.2	119.2	248.6
Training	11.3	9.0	17.3	32.2
<b>Total operating revenue</b>	<b>78.4</b>	<b>71.2</b>	<b>136.5</b>	<b>280.8</b>
<b>EBITDA by Segment</b>				
Labour hire	1.9	1.5	1.8	4.9
Training	2.1	(0.8)	0.8	(6.6)
Corporate	(1.3)	(1.2)	(3.3)	(5.7)
<b>Underlying EBITDA</b>	<b>2.7</b>	<b>(0.5)</b>	<b>(0.7)</b>	<b>(7.4)</b>
Depreciation & amortization	(0.8)	(0.9)	(1.7)	(3.5)
<b>Underlying EBIT</b>	<b>1.9</b>	<b>(1.4)</b>	<b>(2.4)</b>	<b>(10.9)</b>
Net interest expense	(0.1)	(0.0)	(0.2)	(0.5)
Income tax credit / (expense)	(0.6)	0.4	3.8	6.9
<b>Underlying NPAT</b>	<b>1.2</b>	<b>(1.0)</b>	<b>1.2</b>	<b>(4.5)</b>
Significant items	-	-	(1.5)	(62.5)
<b>NPAT continuing operations</b>	<b>1.2</b>	<b>(1.0)</b>	<b>(0.3)</b>	<b>(67.0)</b>

# › Balance Sheet



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\$ million	Unaudited 30 Sep 16	Audited 30 Jun 16
Cash and cash equivalents	3.9	1.7
Trade & other receivables	34.8	27.9
Current tax receivable	-	2.8
Property, plant & equipment	5.6	6.1
Deferred tax assets	6.9	7.6
Intangible & other assets	11.1	10.8
<b>Total assets</b>	<b>62.3</b>	<b>56.9</b>
Trade & other payables	18.0	19.0
Borrowings	5.9	0.1
Deferred earn out and provisions	6.5	7.0
Deferred tax liabilities	3.7	3.7
<b>Total liabilities</b>	<b>34.1</b>	<b>29.8</b>
<b>Net assets</b>	<b>28.2</b>	<b>27.1</b>

- › Trade and other receivables up \$6.9M since 30 June 2016 - September 2016 labour hire revenues \$7M above the month of June 2016;
- › Tax refunds due from FY15 and FY16 received in Q1;
- › Tax losses carried forward being utilised in FY17, reducing deferred tax assets;
- › Capital expenditures reduced to minimal levels during Q1 of FY17. Net property, plant and equipment balance has declined \$0.5M, due to depreciation;
- › SILK earn out paid in Q1, reducing provisions;
- › Net debt was \$2.0M at 30 September 2016, \$3.6M adverse to the \$1.6M net cash position as at 30 June 2016.



# › Cash Flow



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\$ million	Unaudited 3 months to 30.09.16	Audited FY16 12 months
Underlying EBITDA	2.7	(7.4)
Change in working capital	(7.9)	6.5
Net interest received/(paid)	(0.2)	(0.3)
Income tax received/(paid)	2.8	1.6
Operating cash loss from discontinued operations	(0.4)	(1.0)
Other	0.3	0.4
<b>Cash (used in) operating activities</b>	<b>(2.7)</b>	<b>(0.2)</b>
Property, plant & equipment	(0.1)	(2.5)
Payments for businesses	(0.6)	(0.3)
Payments for IP	(0.1)	(1.3)
Investment discounted operations	-	(0.3)
<b>Cash (used in) investing activities</b>	<b>(0.8)</b>	<b>(4.4)</b>
Net proceeds from/(prepayment of) borrowings	5.7	(0.1)
Dividends paid	-	(6.2)
<b>Cash (used in)/ from financing activities</b>	<b>5.7</b>	<b>(6.3)</b>
<b>Net cash flow</b>	<b>2.2</b>	<b>(10.9)</b>
<b>Cash at beginning of period</b>	<b>1.7</b>	<b>12.6</b>
<b>Cash at end of period</b>	<b>3.9</b>	<b>1.7</b>

- › Operating cash outflow of \$2.7M for the quarter. Seasonal increase in labour hire activity and increased labour hire revenues from new contract wins;
- › \$10M working capital facility with Bankwest. Reduces to \$5M from 1 December 2016. The facility matures in October 2017;
- › Any positive cash flow for FY17 to be used to pay down debt in line with revised banking covenants;
- › No dividends to be paid or declared for FY17.

# › Business Update

## Labour Hire



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\$ million	Unaudited 3 months to 30.09.16	Unaudited 3 months to 30.09.15	Audited H2 FY16 6 months	Audited FY16 12 months
Revenue	67.1	62.2	119.2	248.6
Operating Costs	(65.2)	(60.7)	(117.4)	(243.7)
EBITDA	1.9	1.5	1.8	4.9
EBITDA margin %	2.8%	2.4%	1.5%	2.0%
Labour hours charged (millions)	1.7	1.5	2.9	6.1

- › Continuing excellent safety record;
- › Revenue up 8% versus pcp, hours up 11%;
- › Successful integration of two large clients and one large client additional site;
- › Weekly activity currently at highest levels since December 2014;
- › Concept Engineering – focused on trade industries – revenues doubled versus pcp – outlook positive – strong infrastructure spending NSW and VIC;
- › Blackadder recruitment – focus on external white collar temporary and permanent placements. Improved profitability in Q1 FY17;
- › Margin up 0.4pp to 2.8%, benefitting from Concept and Blackadder performance/mix.

# › Business Update

## Training

\$ million	Unaudited 3 months to 30.09.16	Unaudited 3 months to 30.09.15	Audited H2 FY16 6 months	Audited FY16 12 months
Revenue	11.3	9.0	17.3	32.2
Operating costs	(9.2)	(9.8)	(16.5)	(38.8)
EBITDA	2.1	(0.8)	0.8	(6.6)
EBITDA margin %	18.6%	(8.9%)	4.6%	(20.5%)

- › Focused on six key industry segments and ~90 unique courses, delivered primarily in VIC, NSW, QLD and WA;
- › Restructure of the training division to one management team and four state based Centres of Excellence;
- › 75% Q1 revenues state funded, 23% fee for service, 2% VET FEE-HELP;
- › VIC funding at risk;
- › NSW audit also open;
- › VIC and NSW combined – \$2.5M gross EBITDA contribution in Q1;
- › Training International – exited west coast operations. Melbourne campus established – from zero to 85 students in 2016 from 20 countries. Growing through course additions.



# › Funding Contracts

- › East Coast States have all moved to annual funding contracts, adding risk since a large portion of ASG's training revenue is derived from government funded training;
- › Government funding contract applications submitted for 2017 in two largest states:
  - SkillsFirst (VIC) in September 2016; and
  - Smart and Skilled (NSW) in July 2016.
- › Summary of current funding contracts:

State	Funding Contract
ACT	Skilling ACT 2016
NSW	Smart and Skilled 2016
QLD	Queensland VET Investment Plan (QVIP) 2016/17
SA	WorkReady 2016/17
VIC	Victorian Training Guarantee 2016
WA	FutureSkills 2016



RTO Number	RTO Abbreviation	Legal Entity and Trading Name
40596	AIVD	Australian Institute of Vocational Development Pty Ltd
90804	VTA	Vocational Training Australia Pty Ltd trading as: – National Institute of Training
51901	CAN	College of Innovation and Industry Skills Pty Ltd trading as: – The Cantillon Institute
20749	ASH	Ash Pty Ltd trading as: – Ashley Institute of Training – Integracom – SILK Education
51895	TRAC	Tracmin Pty Ltd
22537	SILK	Global Education and Training Group trading as: – SILK Education and Training

# › 2016 Audits

Since January 2016, ASG has had 28 Audits: 20 of which are now closed, 8 remain open. ASG had 13 Audits in calendar 2015, all of which are closed.

Date	RTO & Branch	Auditor / Regulator	Type of Audit	Status
01/2016	51895 TRAC (WA)	Training Accreditation Council	Addition to scope (Site Audit)	Closed
3-4/02/16	51901 CAN (WA)	Australian Skills Quality Authority	Compliance Monitoring	Open: RTO has received report & provided response.
12/02/16	20749 ASH (TAS)	Skills Tasmania	State Funding	Closed
24/02/16	90804 VTA (WA)	Department of Training and Workforce Development	Fees and Charges Audit	Closed
24/02/16	20749 ASH (WA)	Department of Training and Workforce Development	Fees and Charges Audit	Closed
3/03/16	20749 ASH (NSW)	NSW Department of Industry Smart & Skilled	Performance Monitoring	Closed
29/03/16	20749 ASH (WA)	Department of Training and Workforce Development	Training plan audit	Closed
29/03/16	51895 TRAC (WA)	Department of Training and Workforce Development	Location and Delivery Strategic Audit	Closed

## › 2016 Audits

continued



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1/04/16	51895 TRAC (WA)	Training Accreditation Council	Re-registration Audit	Closed: Re-registration granted till 2023
15/04/16	20749 ASH (QLD)	Australian Skills Quality Authority	Compliance Monitoring	Closed
26-27/04/16	20749 ASH (QLD)	Queensland Department of Education	User Choice & Certificate 3 Guarantee	Open: RTO has received report & provided response.
28-29/04/16	20749 ASH (National)	Australian Skills Quality Authority	Addition to Scope	Closed
16/05/16	40596 AIVD (VIC)	Australian Skills Quality Authority	One Year Registration Audit	Closed
18/05/16	20749 ASH (TAS)	Skills Tasmania	Desktop	Closed
24/05/16	20749 ASH (VIC)	SkillsVic – O'Connor Marsden and Associates	Evidence of Participation	Closed
25/05/16	40596 AIVD (VIC)	SkillsVic – Protivity	Compliance Review	Closed

## › 2016 Audits

continued



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26/05/16	20749 ASH (WA)	Department of Training and Workforce Development	FutureSkills (General Industry Training, Priority Industry Training, UserChoice)	Closed
28/05/16	20749 ASH (QLD)	Queensland Department of Education	Pre-Qualified Supplier Request for Information	Closed
28/05/16	20749 ASH (National)	Australian Skills Quality Authority	Desktop	Closed
7/06/16	20749 ASH (VIC)	SkillsVic – Ernst & Young	Compliance Review	Closed
07/16	22537 SILK (National)	Australian Skills Quality Authority	Re-registration	Closed: Re-registration granted till 2023
18/08/16	20749 ASH (WA)	Department of Training and Workforce Development & Applied Innovation	Performance Monitoring	Open: Awaiting report.
23/08/16	20749 ASH (VIC)	SkillsVic – Ernst & Young & Australian Skills Quality Authority Consultant	Quality Review	Open: <b>see slide 15.</b>



## › 2016 Audits

continued



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30/08/16	22537 SILK (QLD)	Queensland Department of Education	Certificate 3 Guarantee	Open: Awaiting report.
13/09/16	22537 SILK (VIC)	Australian Skills Quality Authority	Addition to Scope CRICOS	Open: Awaiting report.
13/09/16	90804 VTA (WA)	Department of Training and Workforce Development	On Site Audit	Closed
19/09/16	20749 ASH (NSW)	NSW Department of Industry Smart & Skilled	On site Audit	Open: <b>see slide 15.</b>
21/09/16	90804 VTA (NSW)	NSW Department of Industry Smart & Skilled	On site Audit	Open: <b>see slide 15.</b>



## VIC

- › Received response to recent audit from the Department, 7 November 2016;
- › Payments being withheld, enrolments suspended until issues satisfactorily resolved;
- › Initial meeting scheduled with Department for 10 November 2016.

## NSW

- › ASH response to recent audit submitted 7 November 2016;
- › VTA response to recent audit submitted 8 November 2016.



### RESOLUTION 2

Re-election of Director: Mr Ross Shrimpton

### RESOLUTION 3

Adoption of Remuneration Report

### RESOLUTION 4

Selective Reduction of Capital and  
Cancellation of Shares



Resolution	For	Against	Proxy Discretion	Abstain
<b>2. Re-election of Director</b>	95,106,927	90,103	14,845,335	0
	86%	0%	13%	
<b>3. Remuneration Report</b>	7,087,783	104,103	14,845,335	0
	32%	0%	67%	
<b>4. Cancellation of Shares</b>	95,196,030	1,000	14,845,335	0
	87%	0%	13%	



OTHER BUSINESS



## › Meeting Closed



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Results of the voting and this presentation will be released to the ASX and the company's website.