

17 October 2016

Company Announcements Office  
Australian Securities Exchange

Via ASX Online

(Page 1 of 4)

## ANNOUNCEMENT

### ANNUAL GENERAL MEETING: CHAIRMAN'S ADDRESS

In accordance with ASX Listing Rule 3.13.3, we attach a copy of the Chairman's Address to shareholders at the Annual General Meeting of Academies Australasia Group Limited to be held today at 11.30am

Stephanie Noble  
Company Secretary

***For further information call 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***

## **CHAIRMAN'S ADDRESS TO SHAREHOLDERS**

### **108<sup>th</sup> ANNUAL GENERAL MEETING**

11.30am 17 October 2016  
Level 6, 505 George Street, Sydney

Good morning

Welcome to the 108<sup>th</sup> Annual General Meeting of Academies Australasia Group Limited.

#### Performance

As you would have noted from the Annual Report, FY16 was not a good year. Your Board is acutely aware of the Company's very disappointing performance. The fact that the education market, particularly in the domestic sector, was difficult and that most of the other players in the field have also had disappointing results does not ease the pain. But may I note that Board members have interest in nearly 60% of the Company's equity. We are hurt too.

We are sad for another reason: we had to terminate the services of some staff because of the need to reorganise Spectra Training.

Revenue from operating activities declined by 3% to \$55 million. Some colleges grew significantly while some had lower revenues. The big disappointment was Spectra Training where revenue declined by 39% (\$4.8 million) from the previous year.

#### Spectra Training

The problem of the year was Spectra Training. With its EBITDA loss of \$3.04 million, Spectra Training singularly led the Group into negative EBITDA (loss of \$3.14 million).

Under better management, Spectra Training's performance has improved. While still running at a loss in the September 2016 quarter, it is ahead of budget and doing much better than in the previous corresponding period in 2015.

Yes, Spectra Training was our largest investment and probably the biggest disappointment in our Company's long history. Management is continuing to work hard to improve Spectra Training's performance. The difficult domestic market does not make the task any easier. They press on.

### Domestic Sector

In our report about the domestic business we said that until the Federal Government came up with new regulations and guidelines, the market is not expected to lift. The recently announced proposed framework for VET FEE HELP to take effect from January 2017 was not met with unanimous acclaim. We too are not happy with the loan cap for the Diploma and Advanced Diploma in Nursing, but overall there are signs that the new framework will be better than what it will be replacing. Nursing is an important vocation. We need nurses. The Diploma in Nursing must be given a higher (student) loan cap. Skills Training Australia has an excellent reputation for producing good quality nurses. This college is now also embarking on the enrolment of international students following their successful application to teach students from overseas.

### International Sector

Much has been written about the growth of Australia's international education operations. While our international student numbers have increased, we continue to have to compete against discounted pricing for lesser offerings. The introduction of the Simplified Student Visa Framework in July started with a logjam: there were serious delays in processing by the Department of Immigration and Border Protection that did not help our enrolments, though they continue to grow.

Discover English has moved into bigger and better premises in Melbourne. New premises have also secured in Perth where Language Links and Academies Australasia Institute will have premises from which expand their enrolment of international student numbers.

### Financial position

The Company's financial position has been detailed in the Annual Report. While the auditors issued an unqualified report, there was an Emphasis of Matter ('EOM'). The need for the EOM arose from the net loss of \$4.3 million and the current liabilities at 30 June 2016 being \$15.7 million more than current assets. The latter situation occurs because all debt at 30 June 2016 is shown as current: at that date did not have an unconditional right to defer repayment of its bank facilities beyond 12 months.

The new facilities agreement was not renewed in time for finalisation prior to 30 June 2016.

We have always met our payment obligations to our bank on time. Notwithstanding the loss in FY16, bank borrowings that year were reduced by \$3.1 million. Since 30 June 2016, there was a further reduction of 9% (\$1.1

million) - from \$12.3 million to \$11.2 million today. Nevertheless, borrowings are still high, and expensive – expected to be running north of \$0.8 million this year.

Your Board will be meeting to decide on the raising of additional funds for the Company and will be then discussing the bank's new facilities offer in the context of a stronger capital position.

#### Board and majority shareholder support

The Board and majority shareholders continue to be positive about the future of the Company. All Director/Shareholders extended loans which were then converted to the entitlements of the shareholdings in which they had an interest in the Rights Issue in 2015 totalling \$2.6 million. In March this year, Chiang Meng Heng and Christopher Elmore Campbell extended temporary loans of \$1.0 million and \$0.5 million.

#### Re-election of Directors

Today, you will be asked to consider the re-election of Chiang Meng Heng and Gabriela del Carmen Rodriguez Naranjo. They, of course, have the Board's full endorsement. From proxies received, there is no doubt that they will both be re-elected.

On behalf of the Board, I would like to thank all stakeholders in the Company, especially shareholders and staff, for their contribution and support during a difficult period for the Company.

Thank you.

Dr. John Lewis Schlederer  
Chairman  
17 October 2016