

13 August 2018

Company Announcements Office
Australian Securities Exchange

Via ASX Online

(Page 1 of 8)

FY18 PRELIMINARY FINAL REPORT

Academies Australasia today announced its Preliminary Final Report for the financial year ended 30 June 2018.

These results are slightly different from that contained in the Market Guidance issued on 16 July 2018:

		<i>\$ million</i>
	FY18	Compared to Market Guidance
Earnings Before Tax	6.120	(+0.106)
Earnings Before Interest, Tax, Depreciation and Amortisation	7.456	(+0.106)
Total Revenue	61.284	(+0.136)

The Company has declared a fully franked dividend of 1.0 cent per share.

Stephanie Noble
Company Secretary

Contact: Christopher Campbell (c.campbell@academies.edu.au)

Academies Australasia has been operating for 110 years and listed on the Australian Securities Exchange for 40 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 more than 100,000 students from 129 countries, including 6 dependencies.

APPENDIX 4E: PRELIMINARY FINAL REPORT

1. Company details

Name: Academies Australasia Group Limited
ABN: 93 000 003 725

Reporting period: Financial year ended 30 June 2018 (FY18)
Previous period: Financial year ended 30 June 2017 (FY17)

2. Results for announcement to the market

\$'000

Movements from previous period

- | | | | | | |
|------|--|------|-----|----|--------|
| 2.1 | Revenues from ordinary activities (<i>see item 3.1</i>) | up | 5% | to | 61,284 |
| 2.2 | Earnings before interest, tax, depreciation and amortisation (EBITDA) | up | 16% | to | 7,456 |
| 2.3 | Profit from ordinary activities before tax (<i>see item 3.6</i>) | up | 42% | to | 6,120 |
| 2.4 | Profit from ordinary activities after tax (<i>see item 3.8</i>) | up | 46% | to | 4,454 |
| 2.5 | Net profit for the period attributable to owners of the parent entity (<i>see item 3.13</i>) | up | 50% | to | 4,270 |
| 2.6 | Net profit for the period attributable to/from non-controlling interest (<i>see item 3.12</i>) | down | 2 | to | 184 |
| 2.7 | Revenue from ordinary activities increased by \$2.84 million (5%) to \$61.28 million. The strong \$8.59 million (22%) growth in international revenue, to \$47.91 million, more than compensated for the \$5.75 million (30%) decline to \$13.37 million in domestic revenue. Most of the \$5.75 million shrinkage is accounted for by Spectra Training and the domestic operations of Skills Training Australia. The international operations of Skills Training Australia and Academies Australasia Polytechnic account for more than half of the increase in international revenue. | | | | |
| 2.8 | Restructure and non-recurring costs increased by \$0.22 million (26%), to \$1.06 million (FY17: \$0.84 million), after taking in a provision of \$0.51 million for impairment of receivables (FY17:\$0). The implementation of any future opportunities to streamline operations for better efficiencies may require such costs, but it is unlikely that they would be as high as in FY18. | | | | |
| 2.9 | Total borrowings during the year decreased by \$4.3 million to \$1.29 million. | | | | |
| 2.10 | Items 2.2, 2.3, 2.4 and 2.5 include a realised gain of \$1.53 million (2017: \$0.99 million unrealised gain) from the sale of shares in RedHill Education Limited. | | | | |
| 2.11 | Net assets increased by \$2.58 million (FY17: \$9.19 million). | | | | |
| 2.12 | The Group manages its business as a single cash generating unit. The colleges benefit from each other through the sharing of resources and services. | | | | |

\$'000

3. Condensed consolidated income statement		Reporting period	Previous period
3.1	Revenues from ordinary activities (<i>see items 3.14 and 3.15</i>)	61,284	58,443
3.2	Realised gain on investment	1,527	0
3.3	Unrealised gain on investment	0	994
3.4	Expenses from ordinary activities (<i>see item 3.16</i>)	(56,259)	(54,378)
3.5	Finance costs	(432)	(753)
3.6	Profit from ordinary activities before tax	6,120	4,306
3.7	Income tax expense on ordinary activities	(1,666)	(1,265)
3.8	Profit from ordinary activities after tax	4,454	3,041
3.9	Other comprehensive income		
3.10	Exchange differences on translating foreign controlled entities	13	(18)
3.11	Total comprehensive income	4,467	3,023
3.12	Profit attributable to non-controlling interest	184	186
3.13	Profit attributable to members of the parent entity	4,270	2,855
3.14	Revenue from sales and services		
	- Services	61,120	58,289
3.15	Other revenue		
	- Rental income	5	54
	- Dividend received	48	0
	- Interest	111	100
3.16	Details of expenses		
	- Depreciation, amortisation and loss on disposal of assets	1,015	1,479
	- Student acquisition and teaching	26,522	24,233
	- Personnel expenses	14,303	14,298
	- Premises expenses	9,396	9,124
	- Other administration expenses	3,962	4,408
	- Restructure and non-recurring costs	1,061	836

\$'000

4. Condensed consolidated balance sheet		Reporting period	Previous period
Current assets			
4.1	Cash	12,968	10,488
4.2	Receivables	8,155	10,550
4.3	Other		
	- Prepayments	5,024	5,712
	- Other	472	537
4.4	Investments	0	3,054
4.5	Total current assets	26,619	30,341
Non-current assets			
4.6	Receivables	2,180	2,586
4.7	Plant and equipment	6,717	7,159
4.8	Deferred tax assets	4,014	2,953
4.9	Intangibles	32,973	32,966
4.10	Total non-current assets	45,884	45,664
4.11	Total assets	72,503	76,005
Current liabilities			
4.12	Tuition fees in advance (deferred income)	19,125	19,156
4.13	Trade and other payables	4,643	7,669
4.14	Current tax payable	2,367	621
4.15	Short-term borrowings	1,087	2,893
4.16	Short-term provisions	2,443	2,242
4.17	Total current liabilities	29,665	32,581
Non-current liabilities			
4.18	Long-term borrowings	201	2,698
4.19	Long-term provisions	5,779	6,448
4.20	Total non-current liabilities	5,980	9,146
4.21	Total liabilities	35,645	41,727
4.22	Net assets	36,858	34,278
Equity			
4.23	Share capital	43,515	42,677
4.24	Share option reserve	0	88
4.25	Retained profits (accumulated losses)	(7,088)	(8,748)
4.26	Foreign currency translation reserve	68	55
4.27	Non-Controlling Interest	363	206
4.28	Total equity	36,858	34,278

\$'000

5. Condensed consolidated cash flow statement

	Reporting period	Previous period
Cash flows from operating activities		
5.1 Receipts from customers	63,327	60,200
5.2 Payments to suppliers and employees	(58,339)	(53,317)
5.3 Dividend received	48	0
5.4 Interest received	111	100
5.5 Finance costs	(432)	(631)
5.6 Income taxes paid	(981)	(199)
5.7 Net operating cash flows	3,734	6,153
Cash flows from investing activities		
5.8 Proceeds from sale of plant and equipment	0	35
5.9 Purchases of plant and equipment	(429)	(965)
5.10 Proceeds from sale of investment	4,581	0
5.11 Net cash on acquisition of subsidiary	819	(21)
Net investing cash flows	4,971	(951)
Cash flows from financing activities		
5.12 Proceeds from borrowings	0	780
5.13 Dividends paid	(2,610)	0
5.14 Proceeds from share issue	750	3,435
5.15 Repayment of borrowings	(3,497)	(5,455)
5.16 Net financing cash flows	(5,357)	(1,240)
5.17 Net increase in cash held	3,348	3,962
5.18 Net cash at beginning of period	9,620	5,658
5.19 Net cash at end of period	12,968	9,620

5.20 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:

- Prior revaluation of investment reversed on realisation

5.21 Reconciliation of cash

\$'000

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.

Cash (*see item 4.1*)

Bank overdraft (included in Borrowings (*see item 4.15*))

5.22 Net cash on hand and at bank (*see item 5.19*)

Reporting period	Previous period
12,968	10,488
0	(868)
12,968	9,620

\$'000

5.23 The decrease in total borrowings of \$4,303,000 (*see item 2.9*) is arrived at as follows:

Repayment of borrowings (*see item 5.15*)

3,497

Repayment of overdraft (*see item 5.21*)

868

Conversion of loans to capital (*see item 10*)

36

Additional hire purchase borrowings

(98)

 4,303
6. Dividends

A fully franked dividend of 0.5 cents per share (\$0.634 million) was paid on 8 November 2017.

A fully franked dividend of 1.5 cents per share (\$1.976 million) which included a 1.0 cent one-off special dividend in recognition of the profit made from the sale of the investment in RedHill Education Limited was paid on 28 February.

The Company has declared a fully franked dividend of 1.0 cent per share (\$1.276 million).

Dividend dates:

Ex dividend	3 October 2018
Record	4 October 2018
Payment	19 October 2018

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

\$'000

- 8.1 Retained profits (accumulated losses) at the beginning of the financial period
- 8.2 Net profit attributable to members (*see item 3.13*)
- 8.3 Dividend paid
- 8.4 Retained profits (accumulated losses) at end of financial period

Reporting period	Previous period
(8,748)	(11,603)
4,270	2,855
(2,610)	-
(7,088)	(8,748)

9. Net tangible Assets

Reporting period	Previous period
2.9 cents ^a	1.0 cent ^b

Net tangible asset backing per ordinary share

^a Based on 131,754,079 shares at 30 June 2018

^b Based on 126,754,079 shares at 30 June 2017

10. Gain or loss of control over entities

On 15 January 2018, AKG3 Investment Holdings Pty Limited acquired a further 16.54% of the issued capital of International College of Capoeira Limited T/A College of Sports & Fitness. The purchase was satisfied by the payment of \$118,125 in cash. The Group now owns 67.54%

		\$'000
		Fair Value
Purchase Consideration - cash		118
Net assets	383	
Share acquired		(63)
Goodwill		55
Non-controlling interest		
Share acquired		(63)
Loans converted to capital		36
		(27)

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

Please see items 2.7 to 2.12.

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. Exercise of share options

On 1 January 2018, Andrew Low, Underwriter to the June 2017 Rights Issue, exercised the 5 million options over unissued shares that he held. The exercise price was 15 cents a share.

15. Selective reduction of share capital

At an Extraordinary General Meeting held on 1 August 2018, approval was obtained to buy back and cancel 4,139,612 shares at a price of 35 cents per share.

16. Commentary on results

16.1 Earnings per security (EPS)

Basic EPS
Diluted EPS

Reporting period	Previous period
3.3 cents	3.7 cents
3.3 cents	3.7 cents

Weighted average number of ordinary shares used in calculation of basic EPS.

129,233,531 77,059,769

- a. In estimating the fully diluted earnings per share for the previous period, the share options of 5,000,000 have been included.
- b. The earnings amount used was \$4,270,000 (2017: \$2,855,000), being profit on ordinary activities after tax attributable to owners of the parent entity.

16.2 Returns to shareholders.

Fully franked dividends of 0.5 cents and 1.5 cents were paid in November 2017 and February 2018 respectively (*see item 6*).

The Company has declared a fully franked dividend of 1.0 cent per share (\$1.276 million).

16.3 Significant features of operating performance.
Please see items 2.7 to 2.12.

16.4 The Company has only one operating segment: Education.

16.5 Ratios.

Profit before tax / revenue

Consolidated profit from ordinary activities before tax (*see item 3.6*) as a percentage of revenue (*see item 3.1*)

Profit after tax / equity interests

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

Reporting period	Previous period
9.99%	7.37%
11.59%	8.33%

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

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

Stephanie Noble
Group Finance Manager

13 August 2018