ACADEMIES AUSTRALASIA

THE POSSIBILITIES ARE INFINITE

ACADEMIES AUSTRALASIA GROUP LIMITED

# ANNUAL REPORT 2013

ACN 000 003 725

## CHAIRMAN'S REPORT

Dear Shareholder

That a government would let the country's second largest* export drop from $19 billion to less than $15 billion per annum is beyond me. But this is just what happened to the international education business in Australia over the past 3 years. It is a world where we are competing with the USA, the UK and Canada for students hungry for a 'Western' English language education. Many students from the region, including Indonesia, Vietnam, China and India want to come to Australia to study. Compared to our competitors, our standards are just as high. For the students, we are closer to home. And if nothing else we must surely win on lifestyle and climate! With the mining sector entering the doldrums, the party that wins the Federal elections next month must look hard at reviving the international education sector. It is a clean and truly sustainable business that provides thousands of jobs. *[*By sector]*

Notwithstanding the challenging environment, since we celebrated our centenary of operations 5 years ago, our Company has continued to grow and perform commendably. During that period, our flagship education business, grew organically and via acquisition, from 6 colleges in the Sydney CBD with about 2,000 students, to about 6,000 students in 10 colleges: 7 in New South Wales, 2 in Victoria and 1 in Singapore. While total shares have grown 32% from 40.6 million in August 2008 to 53.6 million in August this year, earnings per share have gone from 4.3 to 6.8 cents per share (up 58%), and dividends per share have increased 150% from 2 cents (partially franked) to 5 cents (fully franked).

For the past 3 years, year-on-year growth in respect to profit attributable to owners of the parent entity, averaged 28%.

For the year under review:

- Profit attributable to owners of the parent entity grew 31% to $3.3 million
- Revenue increased by 12% to $37.8 million
- Turnover for our education operations grew 16% to $30.3 million, while contribution increased 17% to $5.7 million
- Turnover for our fasteners operations declined slightly to $7.5 million, but contribution increased 22% to $738,000
- Net tangible asset backing per share (at year end) increased by 5.2% to 10.1 cents.

During the year, we acquired Discover English Pty Limited in Melbourne, an English language college, and took a 40% interest in a college offering sports and fitness programmes. We also acquired all the non-controlling interests in Academies Australasia College Pte. Limited (in Singapore), Academies Australasia Polytechnic Pty Limited and Benchmark Resources Pty Limited. So we now own 100% of each of our 10 colleges.

We are continuing to explore opportunities to further expand our education business, in Australia and overseas. As previously announced, we intend to specialise in education. We therefore intend to divest our fasteners business.

We ended the year with $5 million in cash, mainly from the strong cash flows generated from our education business. Early this month, we raised $4 million through the placement of 5.34 million new fully paid ordinary shares issued at 75 cents a share. We appreciate the confidence in the Company shown by the Lead Manager, Wilson HTM Corporate Finance, and the fund managers and sophisticated investors who subscribed. The issue was made under the authority of Listing Rule 7.1. Shareholders will be asked to 'refresh' that authority at the coming Annual General Meeting.

I would like to thank the Group Managing Director, directors, management and staff of all our group companies for their hard work. On behalf of my fellow directors, I would also like to express sincere appreciation to all shareholders for their confidence and support.

Neville Thomas Cleary
Chairman
19 August 2013

## GROUP MANAGING DIRECTOR'S REVIEW

Dear Shareholder

The international student business in Australia continued to be trying: made more difficult by severe discounting of tuition fees by some competitors in Australia, the apparent discouragement of study in vocational (Certificate, Diploma and Advanced Diploma) programmes, and unreasonable rejections of many applications for visas from overseas students. Despite that environment, and an unexpectedly poor contribution from Benchmark College which specialises in the domestic market, our education operations have not done badly at all. Contribution to profitability grew by 17% to $5.7 million.

Having a college in Singapore, where we offer an 'Australian standard' education, helps to counter some of the difficulties faced by international students looking for an Australian standard of education.

We have added two senior appointments to our management team. Ingeborg Loon who has held senior international positions at TAFE Queensland International, the University of Queensland, Griffith University and the Australian Council for Private Education and Training (ACPET) joined us in July as Assistant General Manager (Partnerships). Marcus Ngiow, whose previous positions include that of Chief Inspector at the Council for Private Education in Singapore was appointed Head, Controls and Compliance, also in July.

Premier Fasteners' contribution of $738,000 in the year under review was an improvement from that of the previous year. While there is potential for further growth and real scope for consolidation in the fasteners sector in Australia, fasteners is not our core business.

Our shareholders, including subscribers to the recent share issue, may take comfort in the fact that senior management and Board members continue to own a substantial part of the Company. We are committed to working hard for the Company and have a real interest in its success.

I must again thank my colleagues, in all the group companies, for their contribution during the year. More than 100 staff from 4 colleges in Penrith, Melbourne and Singapore have come under the Academies Australasia umbrella over the past few years. Growing by acquisition brings the challenge of assimilating staff, developing common standards and establishing a common culture. It is pleasing to see that there is a growing sense of an Academies Australasia 'family'.

I would also like to express my appreciation to my fellow directors in all the group companies, as well as all our students, teachers, customers and business associates for their loyalty and support.

Christopher Elmore Campbell
Group Managing Director
19 August 2013

## CORPORATE GOVERNANCE STATEMENT

The Board of Academies Australasia Group Limited ('the Company') is committed to the highest standards of corporate governance and enhancing shareholder value. The following Corporate Governance Statement outlines the framework in which the Board operates to ensure this commitment is upheld.

At the date of this report, the Board comprised the following:

| | | | Appointed |
|---|---|---|---|
| Neville Thomas Cleary | Chairman, Non-Executive | Independent | 2001 |
| Christopher Elmore Campbell | Group Managing Director, Executive | | 1996 |
| Chiang Meng Heng | Director, Non-Executive | | 2000 |
| Dr John Lewis Schlederer | Director, Non-Executive | Independent | 2010 |
| Gabriela Del Carmen Rodriguez Naranjo | Alternate Director to Neville Thomas Cleary | | 2011 |

All were members of the Board throughout the year.

Mr Philip Carroll (Director) and Mrs Bridget Carroll (Alternate to Philip Carroll) resigned from the Board on 4 March 2013.

The Board endorses the Australian Securities Exchange ('ASX') Corporate Governance Principles and Recommendations with 2010 Amendments, Second Edition ('Recommendations'). However, given the small size and composition of the Board, the small size of the Company, its activities, and its cost structures, it is neither reasonable nor practicable to comply with certain Recommendations or to increase the size of the Board at this time.

Key management of the group comprises the Board of the Company and the senior group executives, defined as the Group Finance Manager of the Company and the chief executive officers of each of the operating subsidiaries of the Company.

This statement identifies and explains where the Company has not complied fully with any of the eight principles stated in the Recommendations.

### Principle 1 – Lay solid foundations for management and oversight

#### Roles and Responsibilities of Board and Management

The Board is responsible for the overall corporate governance of the Company including setting its strategic direction and performance objectives, increasing shareholder wealth, meeting ethical and regulatory obligations, and managing business risk.

Key responsibilities include:

- appointing and removing the Group Managing Director;
- final approval and monitoring of corporate strategies and performance objectives;
- monitoring senior group executive performance and implementation of the Board approved strategies;
- reviewing and ratifying systems of risk management and internal compliance and control;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- approving and monitoring financial and other reporting; and
- other matters required to be dealt with by the Board from time to time.

All senior group executives are subject to annual performance review. The Company evaluates their expected contribution, progress, and achievements. All senior group executives were reviewed in respect to performance during the year ended 30 June 2013.

The Board ensures that the terms of the approved performance incentive plan (‘PIP’) are complied with.

To assist in the execution of its responsibilities, the Board has established an Audit and Risk Committee and a Remuneration Committee.

The Board delegates responsibility for the day-to-day operation and administration of the Company to the Group Managing Director.

The Board meets regularly, at least four times per financial year, to review the Company’s strategy and progress, with the Audit and Risk Committee meeting at least twice a year and the Remuneration Committee meeting at least once a year.

## Principle 2 – Structure the Board to add value

### Board Composition

The relevant skills, experience, expertise, and terms of office of each director, who is in office at the date of the annual report, are detailed in the directors’ report.

The names of the independent directors of the Company are:

Neville Thomas Cleary (Chairman)
Dr John Lewis Schlederer

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 5% of Company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the director’s income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the consolidated group other than income derived as a director of the group.

The Board regularly assesses whether each non-executive director is independent. In assessing a director’s independence, materiality is assessed on a case by case basis having regard to the individual circumstances of the director.

Chiang Meng Heng and Christopher Elmore Campbell each have relevant interests of 5% or more in the Company’s shares. Chiang Meng Heng and Christopher Elmore Campbell are not independent. Therefore, the Board does not meet the Recommendation that there be a majority of independent directors. However, the Board believes that its current composition is appropriate and wishes to state that nothing has come to its attention that would cause it to question whether current procedures and governance are inappropriate for a company of its structure and size. The skills, experience, and performance of the non-independent directors have led the Board to conclude that they do act in the best interests of the Company.

Consistent with the Recommendations, the roles of Chairman and Group Managing Director are exercised by separate individuals, Neville Thomas Cleary and Christopher Elmore Campbell respectively.

All directors – whether independent or not - should bring an independent judgement to bear on Board decisions. All directors have the right to seek independent professional advice in the furtherance of their duties as directors at the company's expense. Written approval must be obtained from the Chairman prior to incurring any expense on behalf of the company.

**Nominations Committee**

The purpose of a Nominations Committee is to ensure that the Board comprises directors with a range of skills and experience appropriate for achieving its mandate.

Currently, the Board executes all of the same functions a Nominations Committee would. The Board determines the appointment of new directors, except where a director is elected by shareholders. When considering the appointment of a new director, the Board follows the same principles and guidelines a Nominations Committee would. These principles and guidelines are outlined below.

**Procedure for Selection and Appointment of New Directors**

The structure of the Board is determined having regard to the following criteria:

- The Chairman should be a non-executive director.
- A majority of the Board should be non-executive directors.
- The roles of Chairman and Group Managing Director should not be exercised by the same individual.
- The Board should comprise of directors with an appropriate range of qualifications and expertise.

The following principles and guidelines are adhered to in the selection and appointment of new directors:

- The Board is required to have a broad range of skills, experience, diversity, and commercial expertise to ensure that it is able to discharge its mandate effectively. Therefore, when an individual is nominated for consideration as a director, they are evaluated on their skills, experience, diversity, and how they would complement or enhance the Board's effectiveness.
- The composition of the Board needs to be conducive to making decisions expediently and in the best interests of the Company as a whole (rather than of individual shareholders or interest groups). Therefore, the size of the Board is limited so as to encourage efficient decision-making.
- Individuals being considered for non-executive roles will be required to provide the Company with details of their other commitments and an indication of the time involved. Candidates must be able to satisfy the Board that they will have sufficient time to meet what is expected of them.
- The Constitution of the Company provides that the Board may at any time appoint any person to be a director. That person shall hold office until the end of the next general meeting and shall be eligible for election at that meeting.
- The Constitution of the Company provides that at every general meeting one-third of the directors or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office and be eligible for re-election.

**Performance Evaluation**

The Board conducts a review of its performance, policies and practices annually. The review includes an examination of the effectiveness and composition of the Board, including the required mix of skills, experience, diversity and other qualities that the non-executive directors should bring to the Board. The Board also reviews the Company's strategic direction, objectives, and corporate governance practices. The Board reviews the objectives and achievements of the Group Managing Director and senior group executives annually, with the Chairman regularly discussing performance with directors throughout the year.

The Board reviewed its performance and the performance of its committees and individual directors and all senior group executives in respect to the year ended 30 June 2013.

## Principle 3 – Promote ethical and responsible decision making

**Code of Conduct**

The Company has established a Code of Conduct to guide the Board and senior group executives as to the practices necessary to maintain confidence in the Company's integrity, as well as the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Company and its directors, managers, employees, and contractors are expected to act with high standards of honesty, integrity, independent judgement, fairness, and equity; striving at all times to enhance the reputation and performance of the consolidated group as a whole.

The Company's Code of Conduct is on the Company's website (www.academies.edu.au).

**Diversity Policy**

The Company is committed to diversity and inclusiveness. It aims to provide an environment in which employees have equal access to opportunities, are treated with fairness and respect, and are not judged by unlawful or irrelevant reference to their attributes. This commitment enables the Company to attract and retain people with the best skills and abilities.

A copy of the Company's Diversity Policy is on the Company's website (www.academies.edu.au)

The Company does not favour or discriminate against females. As at 30 June 2013, 40% of senior group executives, including Board members (inclusive of alternates) were female. The objective of 30% female composition of Board and senior group executives combined was therefore achieved.

At that date, 55% of group employees (excluding academic staff) were female. The objective is to have an equal balance of male and female employees (excluding academic staff).

Employees have a wide range of qualifications and experience and come from more than 20 countries.

**Share Trading Policy**

A copy of the Company's policy on the trading of the Company's securities by key management personnel is on the Company's website (www.academies.edu.au).

The policy also addresses the subject of 'Insider Trading' – i.e. trading while in possession of price sensitive information. Employees must not trade in the Company's securities while in possession of price sensitive information. This prohibition applies to all employees at all times.

**Principle 4 – Safeguard integrity in financial reporting**

**Audit and Risk Committee**

The names and qualifications of the directors appointed to the Audit and Risk Committee and their attendance at meetings of the committee are included in the directors' report.

During the year the Audit and Risk Committee comprised of Neville Thomas Cleary, Chiang Meng Heng and Dr John Lewis Schlederer. The Committee was chaired by Dr John Lewis Schlederer. Consistent with the Recommendations, the Chair of the Audit and Risk Committee is independent and does not exercise the role of Chair of the Board.

The Group Managing Director, the Group Finance Manager and the external auditor attend Audit and Risk Committee meetings. The Audit and Risk Committee meets the Recommendation that it consist of a majority of independent directors.

The functions of the Audit and Risk Committee encompass:

- Financial reporting
- Risk management
- Authorities for financial risk management
- External audit
- Internal audit
- Insurance programme
- Legal proceedings

The Audit and Risk Committee's Charter is available on the Company's website (www.academies.edu.au).

**Principle 5 – Make timely and balanced disclosure**

**Continuous Disclosure**

The Company has adopted a policy to ensure that it complies with its continuous disclosure obligations under the ASX Listing Rules, which state that:

*Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.*

Employees must immediately notify the Group Managing Director if they become aware of any information that should be considered for release to the market. The information is reviewed and, if considered material, the appropriate disclosure is made to the ASX.

The Company will not release any information to any other party until acknowledgement has been received from the ASX that the information has been released to the market.

A copy of the Company's Continuous Disclosure policy is on the Company's website (www.academies.edu.au).

## Principle 6 – Respect the rights of shareholders

The Company recognises that shareholders must receive high quality relevant information in a timely manner in order to be able to properly and effectively exercise their rights.

The Company aims to ensure that shareholders are informed of all major developments affecting the Company. Information is communicated to shareholders on a regular basis through continuous disclosures and half yearly and annual reports. The Board ensures that these reports include all relevant information about the operations of the Company, changes in the state of affairs of the Company and details of future developments.

All documents that are released publicly (i.e. ASX Announcements and Annual Reports) are made available on the Company's web site (www.academies.edu.au).

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Board also requests that the external auditor attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## Principle 7 – Recognise and manage risk

The Board has established policies for the oversight and management of material business risks. The Audit and Risk Committee assists the Board in carrying out this function.

The following material business risks that have the potential to adversely impact the Company’s operations are addressed:

a. Financial risk: market price risk, liquidity risk, credit risk and corporate and bank guarantees.
b. Business risk: A range of policies and procedures dealing with specific business risks, including:
    - Delegation of Authority;
    - Capital investment;
    - Business conduct; and
    - Litigation reporting.
c. Operational risk:
    - Health, safety and environment;
    - Asset protection and operational security; and
    - Insurance.

Procedures exist to monitor risk, with ultimate reporting to the Board, through either the Audit and Risk Committee for financial and business risk or the Group Managing Director for operational risk.

The Board acknowledges that the policies are designed to provide reasonable but not absolute protection against errors and irregularities and that they are intended to identify control issues that require the attention of the Board or Audit and Risk Committee.

Management has reported that the material business risks are being managed effectively.

The Company has a number of financial control processes to ensure that the information that is presented to senior management and the Board is both accurate and timely. The control processes include, among other things:

- annual audit and half year review by the external auditor;
- management review of the balance sheet and internal control environment;
- monthly review of financial performance compared to budget and forecast; and
- analysis of financial performance and significant balance sheet items to comparative periods.

The Board reviews the implementation of the risk management and internal compliance and control system on an annual basis. The group currently does not have an internal audit function due to the small size and cost structure of the group. As the group grows, consideration will be given to establishing an internal audit operation – either staffed in-house or on contract with an external firm.

For the annual and half-year accounts released publicly, the Board has received assurance from the Group Managing Director (Chief Executive Officer) and the Group Finance Manager (Chief Financial Officer) that, in their opinion:

- the financial records of the group have been properly maintained;
- the financial statements and notes required by accounting standards for external reporting:
    - give a true and fair view of the financial position and performance of the Company and the consolidated group; and
    - comply with the accounting standards and applicable ASIC Class orders; and
    - the above representations are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## Principle 8 – Remunerate fairly and responsibly

### Remuneration Policies

The Remuneration Committee annually reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Group Managing Director, senior group executives and directors themselves. This role also includes responsibility for share option schemes, performance incentive packages, superannuation entitlements, any remuneration by gender, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives.

The directors and senior group executives are all on fixed remuneration. The Company has a PIP, which is structured around profitability and increase in the value of the Company's shares. Non-executive directors are not eligible to participate in the PIP.

### Remuneration Committee

The role of the Remuneration Committee is to assist the Board with the application of its remuneration policies. The structure of this committee is consistent with the Recommendations in that it comprises at least 3 members and an independent Chair. However, only half of the members are independent directors, rather than a full majority. This is because its members are procured from the Board, where there is no majority of independent directors.

The names of the members of the Remuneration Committee and their attendance at meetings of the Committee are detailed in the directors' report.

There are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

A copy of the Company's Remuneration Committee Charter is on the Company's website (www.academies.edu.au).

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This Corporate Governance Statement and information about the Company's corporate governance practices and policies (including 'Charters' referred to in this statement) is available on the Company's web site at www.academies.edu.au

## 105th ANNUAL REPORT OF THE DIRECTORS

Your directors present this report on Academies Australasia Group Limited and its controlled entities for the financial year ended 30 June 2013.

### DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Neville Thomas Cleary
Christopher Elmore Campbell
Chiang Meng Heng
Dr John Lewis Schlederer
Philip Carroll (Resigned 4 March 2013)
Gabriela Del Carmen Rodriguez Naranjo (Alternate to Neville Thomas Cleary)
Bridget Mary Carroll (Alternate to Philip Carroll) (Resigned 4 March 2013)

Neville Thomas Cleary, Christopher Elmore Campbell, Chiang Meng Heng, Dr John Lewis Schlederer and Gabriela Del Carmen Rodriguez Naranjo (Alternate to Neville Thomas Cleary) have all been in office since the start of the financial year to the date of this report.

### COMPANY SECRETARY

Mrs Stephanie Noble held the position of company secretary of Academies Australasia Group Limited at the end of the financial year. She was appointed company secretary on 27 November 2006. Mrs. Noble is a CPA Australia and a Fellow of the Association of Chartered Certified Accountants and holds an Honours Degree in Accounting.

### PRINCIPAL ACTIVITIES

The principal activity of the consolidated group during the course of the financial year was the provision of training and education services. It also manufactures, imports and sells fasteners. No change in those principal activities occurred during the year.

### CONSOLIDATED RESULT

The consolidated profit of the consolidated group for the financial year after providing for income tax and eliminating non-controlling entity interests amounted to $3,269,000 (2012: $2,502,000).

### REVIEW OF OPERATIONS

A review of the operations of the consolidated group during the financial year and the results of those operations are as follows:

#### Education

The contribution from the education business (before tax) increased by 17% to $5,681,000 (2012: $4,857,000) during the financial year, while revenue increased by 16% to $30,332,000.

#### Fasteners

The contribution from the fasteners business (before tax) increased by 22% to $738,000 (2012: $605,000) during the financial year, while revenue decreased by 3% to $7,495,000.

**Dividends Paid or Proposed**

A fully franked dividend of two and a half cents per share ($1,180,000) was paid on 17 October 2012. An interim fully franked dividend of two and a half cents per share ($1,207,000) was paid on 15 April 2013.

The directors have announced the payment of a fully franked final dividend of two and a half cents per share ($1,340,000), to be paid on 26 September 2013.

## FINANCIAL POSITION

The net assets of the consolidated group have increased by $796,000 since 30 June 2012.

## SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated group during the reporting period.

## EVENTS AFTER THE REPORTING PERIOD

On 2 August 2013, Academies Australasia Group Limited issued 5,340,000 new fully paid ordinary shares at 75 cents per share to raise $4,005,000. The issue was made within the authority granted under Listing Rule 7.1. The proceeds of the raising support the Company's ongoing acquisition strategy and further strengthen its financial position. The issue increased the Company's total shares from 48,254,297 to 53,594,297.

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in subsequent financial years.

## FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Reference is made in the Chairman's Report (Page 1) to the consolidated group's future direction. No detailed information in respect of the consolidated group's corporate strategies has been included, as directors believe that the disclosure of such information is likely to result in unreasonable prejudice to the consolidated group.

## ENVIRONMENTAL ISSUES

The consolidated group operations are not subject to any significant environmental legislation.

## INFORMATION ON DIRECTORS

| | |
|---|---|
| **Neville Thomas Cleary** | - Chairman (Independent & Non-Executive), since 2001. |
| Qualifications/Experience | - Retired as General Manager and Head of Lending, Commonwealth Bank of Australia in 1992 after 43 years service.<br>- Following retirement from the bank, has held non-Executive Directorships in public listed Companies, Minproc Engineers Limited, Finemore Holdings Limited and Ipoh Limited.<br>- Also non-Executive Directorships in four non listed companies (non related). |
| Interest in Shares | - 160,000 shares (0.3%) |
| Special Responsibilities | - Chairman of the Remuneration Committee. Member of the Audit and Risk Committee. |
| Directorships held in other listed entities | - None. |

| | |
|---|---|
| **Christopher Elmore Campbell** | - Group Managing Director and Chief Executive Officer, since 1996. |
| Qualifications/Experience | - B.Soc.Sci. (Hons), FFin, FAICD, FCIS, FSCA. Previous positions include senior appointments with the Monetary Authority of Singapore and an international bank in Australia. |
| Interest in Shares | - 8,136,929 shares (15.18%) |
| Special Responsibilities | - Member of the Remuneration Committee. Director of each of the subsidiary companies in the Academies Australasia Group. Chairman of Academies Australasia Pty Limited, Academies Australasia Polytechnic Pty Limited (formerly AMI Education Pty Limited), Discover English Pty Limited, Benchmark Resources Pty Limited T/A Benchmark College and Premier Fasteners Pty Limited. Director, Asia Society Australia. |
| Directorships held in other listed entities | - None. |

| | |
|---|---|
| **Chiang Meng Heng** | - Director (Non-Executive), since 2000. |
| Qualifications/Experience | - BBA (Hons). Previous positions include President, Asia Commercial Bank Ltd, Adviser & Department Head, Monetary Authority of Singapore, Managing Director, First Capital Corporation Ltd, Executive Director, Far East Organization and Group Managing Director, Lim Kah Ngam Ltd. |
| Interest in Shares | - 24,941,886 shares (46.54%) |
| Special Responsibilities | - Member of the Audit and Risk, and Remuneration Committees. Chairman (Non-executive) and Director of ACA Investment Holdings Pte. Limited and Academies Australasia College Pte. Limited. |
| Directorships held in other listed entities | - Far East Orchard Limited (formerly known as Orchard Parade Holdings Limited), Macquarie International Infrastructure Fund Limited, Keppel Land Limited and Keppel Land China Limited (all listed on the Singapore Stock Exchange). |

| | |
|---|---|
| **Dr John Lewis Schlederer** | - Director (Independent & Non-Executive), since 2010. |
| Qualifications/Experience | - B.Sc (Hons), PhD, Grad. Diploma. More than 20 years teaching experience, at University of New South Wales and TAFE NSW (Technical and Further Education, New South Wales) and many years in business. |
| Interest in Shares | - 987,140 shares (1.84%) |
| Special Responsibilities | - Member of the Remuneration Committee. Chairman of the Audit and Risk Committee. Non-Executive Director of Benchmark Resources Pty Limited T/A Benchmark College from 12 March 2013. |
| Directorships held in other listed entities | - None |

| | |
|---|---|
| **Gabriela Del Carmen Rodriguez Naranjo** | - Alternate Director to Neville Thomas Cleary, since May 2011. |
| Qualifications/Experience | - B. Comp.Sci, B.Sci. Sys. Eng, MAICD. More than 10 years experience in various aspects of international education in Australia. |
| Interest in Shares | - 15,000 shares (0.02%) |
| Special Responsibilities | - Executive Director, General Manager and Chief Operations Officer of Academies Australasia Pty Limited and Director of each of its subsidiaries (excluding ACA Investment Holdings Pte. Limited) and Skilled Placements Pty Limited. |

## REMUNERATION REPORT

### Remuneration Policies

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Group Managing Director, senior group executives and directors themselves.

This role also includes responsibility for share option schemes, performance incentive packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. During the year, the members of the Remuneration Committee were Neville Thomas Cleary, Chiang Meng Heng, John Lewis Schlederer and Christopher Elmore Campbell.

The remuneration policy of the Company in respect of directors and senior group executives is to ensure certainty of exposure of the Company to employees by agreeing a fixed salary for each director and senior group executive.

All executives receive a base salary, which is based on factors such as length of service and experience and superannuation (as required by law). Executives may sacrifice part of their salary to increase payments towards superannuation.

There are no options over unissued capital. The Company does not have an employee share option plan.
The Company has a PIP structured around movements in the value of the Company's shares. This plan has a three year life from the date of inception for each employee. The financial statements of the group accrue the anticipated costs of the plan to date of reporting.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The amount approved at the 2009 Annual General Meeting is $250,000 per annum. Fees for non-executive directors are not linked to the performance of the consolidated group.

## Directors and Senior Group Executives

### a. Directors and Senior Group Executives

The names of each person holding the position of director of Academies Australasia Group Limited at any time during the financial year were:

Neville Thomas Cleary (Chairman – Independent & Non-Executive).

Christopher Elmore Campbell (Group Managing Director – Executive).

Chiang Meng Heng (Director – Non-Executive).

Dr John Lewis Schlederer (Director – Independent & Non-Executive).

Philip Carroll (Director - Executive) (to 4 March 2013).

Gabriela Del Carmen Rodriguez Naranjo (Alternate Director to Neville Thomas Cleary).

Bridget Mary Carroll (Alternate Director to Philip Carroll) (to 4 March 2013).

The names of each person holding the position of senior group executive, other than executives listed above, at any time during the financial year were :

Ivan James Mikkelsen (Director and General Manager – Premier Fasteners Pty Limited).

Stephanie Ann Noble (Group Finance Manager and Company Secretary, Academies Australasia Group Limited. Director Premier Fasteners Pty Limited).

Edmund Kwan (Executive Director and Chief Executive Officer- Academies Australasia College Pte. Limited).

Esther Teo (Executive Director and Chief Executive Officer - Academies Australasia Polytechnic Pty Limited).

Jacqualine Apps (College Director - Benchmark Resources Pty Limited T/A Benchmark College).

### b. Directors and Senior Group Executives Remuneration

The remuneration for each director and each of the senior group executives during the year was as follows:

| **2013 Directors and Senior group executives** | **Short-term Employee Benefits** | | | **Post- employment Benefits** | |
|---|---|---|---|---|---|
| | **Cash, salary and commissions** | **PIP** | **Non-monetary benefits** | **Superannuation** | **Total** |
| | **$000s** | **$000s** | **$000s** | **$000s** | **$000s** |
| Neville Thomas Cleary | 55 | - | - | - | 55 |
| Chiang Meng Heng | 32 | - | - | 3 | 35 |
| John Lewis Schlederer | 14 | - | - | 30 | 44 |
| Christopher Elmore Campbell | 373 | 143 | - | 77 | 593 |
| Gabriela Del Carmen Rodriguez Naranjo | 130 | 46 | - | 15 | 191 |
| Stephanie Ann Noble | 124 | 31 | | 13 | 168 |
| Jacqualine Apps | 120 | - | - | 11 | 131 |
| Bridget Carroll (to 4 March 2013) | 63 | - | - | 21 | 84 |
| Philip Carroll (to 4 March 2013) | 39 | - | - | 22 | 61 |
| Edmund Kwan | 71 | - | - | 7 | 78 |
| Ivan James Mikkelsen | 183 | - | 21 | 17 | 221 |
| Esther Teo | 99 | - | - | 36 | 135 |
| | 1,303 | 220 | 21 | 252 | 1,796 |

| 2012 Directors and Senior group executives | Short-term Employee Benefits | | | Post- employment Benefits | |
|---|---|---|---|---|---|
| | Cash, salary and commissions | PIP | Non-monetary benefits | Superannuation | Total |
| | $000s | $000s | $000s | $000s | $000s |
| Neville Thomas Cleary | 55 | - | - | - | 55 |
| Chiang Meng Heng | 32 | - | - | 3 | 35 |
| John Lewis Schlederer | - | - | - | 44 | 44 |
| Christopher Elmore Campbell | 304 | 598* | - | 71 | 973 |
| Gabriela Del Carmen Rodriguez Naranjo | 125 | 80 | - | 22 | 227 |
| Stephanie Ann Noble | 116 | 48 | - | 16 | 180 |
| Jacqualine Apps | 96 | - | - | 9 | 105 |
| Bridget Carroll | 117 | - | - | 25 | 142 |
| Philip Carroll | 92 | - | - | 25 | 117 |
| Edmund Kwan (from 1 June 2012) | 6 | - | - | 1 | 7 |
| Mark Kwong To Lo | 56 | - | - | 32 | 88 |
| Ivan James Mikkelsen | 160 | - | 21 | 48 | 229 |
| Esther Teo (from 1 June 2012) | 8 | - | - | 1 | 9 |
| | 1,167 | 726 | 21 | 297 | 2,211 |

*Of which $484,000 was paid, at the sole discretion of the Company in the form of 846,154 new shares in the Company. (Note 21)

None of the remuneration paid to any director or senior group executive is tied to any specific performance condition.

### c. Options issued as part of remuneration for the year ended 30 June 2013

No options were granted as part of remuneration.

### d. Employment contracts of senior group executives

The employment conditions of all senior group executives are formalised in written contracts of employment. Generally, the employment contracts stipulate a one-month resignation period. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Christopher Elmore Campbell’s three year employment contract expires on 31 December 2014.

Except in certain exceptional circumstances, Mr. Ivan James Mikkelsen’s contract may be terminated by either Mr. Mikkelsen or Premier Fasteners Pty Limited giving to the other six months’ notice.

**MEETINGS OF DIRECTORS**

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by the directors of the Company during the financial year are:

| Director | Directors' Meetings | | Audit and Risk Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|
| | A | B | A | B | A | B |
| Neville Thomas Cleary | 8 | 8 | 2 | 2 | 1 | 1 |
| Christopher Elmore Campbell | 8 | 8 | 2 | 2 | 1 | 1 |
| Chiang Meng Heng | 8 | 8 | 2 | 2 | 1 | 1 |
| John Lewis Schlederer | 8 | 8 | 2 | 2 | 1 | 1 |
| Philip Carroll (to 4 March 2013) | 7 | 7 | - | - | - | - |

A - Number of meetings held during the time the director held office during the period
B - Number of meetings attended

**INDEMNIFICATION AND INSURANCE OF OFFICERS**

The Company's Articles of Association provides an indemnity to officers of the Company. The Company is required to pay all costs, losses and expenses that an officer may incur by reason of any contract entered into or act or thing done by them in the discharge of their duties except where they act dishonestly.

The Company has also paid an insurance premium in respect of a directors and officers liability insurance policy covering the directors and officer's liabilities as officers of the Company. It has also taken out "key man" insurance policies, the premium and nature of the liabilities covered by the policies are not to be disclosed, under the terms of the policies.

**OPTIONS**

No options have been issued on the Company's shares.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

The Company was not a party to any proceedings in a Court of Law during the year.

**NON-AUDIT SERVICES**

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- All non-audit services are reviewed and approved by the Audit and Risk Committee.
- The nature of services provided does not compromise the general principles relating to audit independence.

The following fees were paid or payable for non-audit services to the external auditors during the year ended 30 June 2013:

- Taxation services $24,000
- Other services $40,000

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration for the year ended 30 June 2013 has been received and can be found on page 18.

Signed in accordance with a resolution of the Board of Directors.

| | |
|---|---|
| Neville Thomas Cleary<br>Director | Christopher Elmore Campbell<br>Director |

19 August 2013

PILOT PARTNERS
Chartered Accountants
Level 10, Waterfront Place
1 Eagle St, Brisbane 4000
PO Box 7095 Brisbane 4001
Queensland Australia
P +61 7 3023 1300
F +61 7 3229 1227
pilotpartners.com.au

**AUDITORS INDEPENDENCE DECLARATION**
**UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**
**TO THE DIRECTORS OF ACADEMIES AUSTRALASIA GROUP LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2013 there have been:

1. no contraventions of the auditors' independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

Pilot Partners

PILOT PARTNERS | DANIEL GILL

19 August 2013

Level 10
1 Eagle Street
Brisbane, Queensland 4000

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
For the year ended 30 June 2013

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| Revenue from continuing operations | 2 | **37,827** | 33,851 |
| Depreciation and amortisation expense | | **(715)** | (727) |
| Cost of sales | | **(3,587)** | (4,074) |
| Cost of services | | **(12,230)** | (9,424) |
| Employee benefits expense | | **(8,066)** | (7,273) |
| Finance costs | 3 | **(210)** | (243) |
| Insurance | | **(424)** | (368) |
| Lease rental expense – operating leases | 3 | **(4,084)** | (3,716) |
| Legal expenses | | **(74)** | (63) |
| Non-executive directors fees | | **(133)** | (133) |
| Payroll tax | | **(438)** | (313) |
| Other expenses | | **(3,303)** | (3,481) |
| Profit before income tax | | **4,563** | 4,036 |
| Income tax expense | 4 | **(1,294)** | (1,062) |
| Profit for the year | | **3,269** | 2,974 |
| **Other comprehensive income:** | | | |
| Exchange differences on translating foreign controlled entities | | **87** | 4 |
| Net gain on revaluation of assets | | **630** | - |
| **Other comprehensive income for the year, net of tax** | | **717** | 4 |
| **Total comprehensive income for the year** | | **3,986** | 2,978 |
| Profit / (Loss) attributable to non-controlling interest | | **-** | 472 |
| Profit attributable to owners of the parent entity | | **3,269** | 2,502 |
| | | **3,269** | 2,974 |
| Total comprehensive income attributable to | | | |
| Owners of the parent entity | | **3,986** | 2,506 |
| Non-controlling interest | | **-** | 472 |
| Basic earnings per share (cents per share) | 7 | **6.8** | 5.3 |
| Dividends per share (cents) | 8 | **5.0** | 4.0 |

The accompanying notes form part of these financial statements.

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
As at 30 June 2013

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| **Current Assets** | | | |
| Cash and cash equivalents | 9 | **4,992** | 2,568 |
| Trade and other receivables | 10 | **2,417** | 2,418 |
| Inventories | 11 | **3,815** | 3,654 |
| Other current assets | 12 | **956** | 815 |
| **Total Current Assets** | | **12,180** | 9,455 |
| **Non-Current Assets** | | | |
| Investments | 13 | **903** | 302 |
| Plant and equipment | 15 | **3,759** | 3,233 |
| Deferred tax assets | 16 | **436** | 589 |
| Intangible assets | 17 | **10,408** | 9,953 |
| **Total Non-Current Assets** | | **15,506** | 14,077 |
| **Total Assets** | | **27,686** | 23,532 |
| **Current Liabilities** | | | |
| Trade and other payables | 18 | **6,327** | 4,357 |
| Current tax liabilities | 4 | **456** | - |
| Borrowings | 19 | **969** | 610 |
| Provisions | 20 | **752** | 1,647 |
| **Total Current Liabilities** | | **8,504** | 6,614 |
| **Non-Current Liabilities** | | | |
| Borrowings | 19 | **2,402** | 1,717 |
| Provisions | 20 | **1,488** | 705 |
| **Total Non-Current Liabilities** | | **3,890** | 2,422 |
| **Total Liabilities** | | **12,394** | 9,036 |
| **Net Assets** | | **15,292** | 14,496 |
| **Equity** | | | |
| Issued capital | 21 | **18,372** | 17,738 |
| Accumulated Losses | | **(4,226)** | (4,414) |
| Asset Revaluation Reserve | | **1,063** | 433 |
| Foreign Currency Translation Reserve | | **83** | (4) |
| Non-Controlling Interest | | **-** | 743 |
| **Total Equity** | | **15,292** | 14,496 |

The accompanying notes form part of these financial statements.

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
As at 30 June 2013

| | Ordinary Shares | Retained Profits | Reserves | Non - Controlling Interest | Total |
|---|---|---|---|---|---|
| | $000s | $000s | $000s | $000s | $000s |
| **Balance at 1.7.2011** | 17,738 | (5,028) | 425 | 282 | 13,417 |
| Profit for the period | - | 2,502 | - | 472 | 2,974 |
| Exchange differences on translating foreign operations | - | - | 4 | - | 4 |
| **Total comprehensive income for the year** | - | 2,502 | 4 | 472 | 2,978 |
| Exchange differences on the non-controlling interest | - | - | - | 2 | 2 |
| Adjustments to non-controliing interest for pre-acquisition costs | - | - | - | (13) | (13) |
| Dividend paid | - | (1,888) | - | - | (1,888) |
| **Balance at 30.6.2012** | 17,738 | (4,414) | 429 | 743 | 14,496 |

| | Ordinary Shares | Retained Profits | Reserves | Non - Controlling Interest | Total |
|---|---|---|---|---|---|
| **Balance at 1.7.2012** | 17,738 | (4,414) | 429 | 743 | 14,496 |
| Profit for the period | - | 3,269 | - | - | 3,269 |
| Exchange differences on translating foreign operations | - | - | 87 | - | 87 |
| Asset revaluation reserve | - | - | 630 | - | 630 |
| **Total comprehensive income for the year** | - | 3,269 | 717 | - | 3,986 |
| Share Issue (Performance Incentive Plan) | 484 | - | - | - | 484 |
| Share Issue (Investment in Associate) | 114 | - | | - | 114 |
| Acquisition of  non controlling interests | 36 | (694) | - | (743) | (1,401) |
| Dividend paid | - | (2,387) | - | - | (2,387) |
| **Balance at 30.6.2013** | 18,372 | (4,226) | 1,146 | - | 15,292 |

The accompanying notes form part of these financial statements.

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**CONSOLIDATED CASH FLOW STATEMENT**
For the year ended 30 June 2013

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Receipts from customers | | **39,849** | 34,467 |
| Payments to suppliers and employees | | **(33,326)** | (29,072) |
| Interest received | | **63** | 48 |
| Finance costs | | **(210)** | (243) |
| Income taxes paid | | **(950)** | (2,439) |
| Net cash provided by (used in) operating activities | 25a | **5,426** | 2,761 |
| **Cash Flows from Investing Activities** | | | |
| Proceeds from sale of plant & equipment | | **-** | 23 |
| Purchase of plant & equipment | | **(262)** | (577) |
| Expenditure on re branding | | **(62)** | - |
| Net cash on acquisition of subsidiaries | | **585** | - |
| Investment in subsidiary | | **(190)** | - |
| Acquisition non controlling interests | | **(1,401)** | - |
| Investment in Associate | | **(300)** | - |
| Investment in other financial assets | | **(29)** | (148) |
| Net cash provided by (used in) investing activities | | **(1,659)** | (702) |
| **Cash Flows from Financing Activities** | | | |
| Dividends paid | | **(2,387)** | (1,888) |
| Proceeds from borrowings | | **1,781** | - |
| Repayment of borrowings | | **(737)** | (1,176) |
| Net cash provided by (used in) financing activities | | **(1,343)** | (3,064) |
| **Net increase/ (decrease) in cash held** | | **2,424** | (1,005) |
| **Cash at the beginning of the financial year** | | **2,568** | 3,573 |
| **Cash at the end of the financial year** | 9 | **4,992** | 2,568 |

The accompanying notes form part of these financial statements.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001.*

The financial report includes the consolidated financial statements of Academies Australasia Group Limited and controlled entities. Details of the parent entity can be found in Note 30. Academies Australasia Group Limited is a listed public company, incorporated and domiciled in Australia. The group is a for profit entity for financial reporting purposes under Australian Accounting Standards

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

### Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

### Accounting Policies

#### a. Principles of Consolidation

A controlled entity is any entity Academies Australasia Group Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

#### b. Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisiton method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### b. Business Combinations (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

### c) Goodwill

Goodwill is carried at cost less accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

(i) the consideration transferred;
(ii) any non-controlling interest; and
(iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

The amount of goodwill recognised on acquisition of each subsidiary in which the group holds less than a 100% interest will depend on the method adopted in measuring the non-controlling interest. The group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value (*full goodwill method)* or at the non-controlling interest's proportionate share of the subsidiary's identifiable net asets (*proportionate interest method*). In such circumstances, the group determines which method to adopt for each acquisition and this is stated in the respective notes of these financial statements disclosing the business combination.

Under the full goodwill method, the fair value of the non-controlling interest is detemined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the non-controlling interests is recognised in the consolidated financial statements.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment. Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the entity disposed of.

Changes in the ownership interests in a subsidiary are accounted for as equity transactions and do not affect the carrying values of goodwill.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### d. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Academies Australasia Group Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003.

The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

### e. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Where the book value of stock items exceeds the net realisable value, a provision for diminution in value is raised.

### f. Plant and Equipment

Plant and equipment used in the fasteners business is stated at a revalued amount. The most recent revaluation was recognised as effective 1 July 2012. The valuation was based on management's assessment of the condition, usage and saleability of the plant and equipment and detailed numerical analysis which assumed a thirty year useful life. All other plant and equipment is stated at cost.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### g. Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line or a diminishing value basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

| Class of Fixed Asset | Depreciation Rate |
|---|---|
| Leasehold improvements | 12.5 – 22.5% |
| Plant and equipment | 5 – 40% |
| Leased plant and equipment | 5 – 25% |

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

### h. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

### i. Financial Instruments

*Recognition and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

*Classification and Subsequent Measurement*

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are classified as non-current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

iv. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

### Derivative instruments

The group has no derivative instruments at reporting date.

### Fair value

The only financial asset or liability carried at fair value is investments. Fair value is determined by a number of market and observable factors, including quoted prices, market activity levels, the financial position and performance of the investment and the relative size of the group’s shareholding.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial Guarantees

Where material, financial guarantees are issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

— the likelihood of the guaranteed party defaulting in a year period;

— the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and

— the maximum loss exposed if the guaranteed party were to default.

### j. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts are written off when they are known to be uncollectible. A provision for doubtful debts is raised where some doubt as to collection exists and is the difference between the total amount owing and the amount expected to be recovered.

### k. Foreign Currency Transactions and Balances

Foreign currency transactions are translated into Australian currency (the functional currency) using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

*Group Companies*

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the financial year;
- income and expenses are translated at average rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### l. Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

### m. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

### n. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

### o. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services preformed to date as a percentage of total anticipated services to be performed.

All revenue is stated net of the amount of goods and services tax (GST).

### p. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

### q. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### r. Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### s. Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group. These changed estimates and judgements are considered significant items of revenue and expenses relevant in explaining the financial performance.

*Key Estimates – Impairment*

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. Further details on the key estimates used in impairment can be found in Note 17. No impairment has been recognised in respect of goodwill for the year ended 30 June 2013.

### t. Performance Incentive Plan

Future payments under this plan are estimated on the basis of what would be payable if the plan were to be settled at the reporting date. The estimate is recognised as a liability. It is the at the Company's discretion whether the payments shall be in cash or new shares in the Company.

## 2. REVENUE

| | 2013 $000s | 2012 $000s |
|---|---|---|
| **Operating activities** | | |
| - Sale of goods | **7,495** | 7,730 |
| - Services revenue | **28,254** | 25,262 |
| - Interest received | **64** | 87 |
| - Rent received | **272** | 94 |
| | **36,085** | 33,173 |
| **Non-operating activities** | | |
| - Other | **1,742** | 678 |
| **Total Revenue** | **37,827** | 33,851 |

## 3. PROFIT FOR THE YEAR

**Expenses**

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Finance costs | | |
| - External | **210** | 243 |
| Bad and doubtful debts | | |
| - Trade receivables | **75** | 12 |
| Rental expense on operating leases | | |
| - Minimum lease payments | **4,065** | 3,702 |
| - Contingent rentals | **19** | 14 |
| | **4,084** | 3,716 |
| Superannuation expenses | **530** | 599 |

## 4. INCOME TAX EXPENSE

| | 2013 $000s | 2012 $000s |
|---|---|---|
| **a.** The components of tax expense comprise: | | |
| Current tax | **(1,413)** | **(1,106)** |
| Deferred Tax | **119** | **44** |
| | **(1,294)** | **(1,062)** |
| **b.** The prima facie tax on profit from ordinary activities before tax is reconciled to income tax as follows: | | |
| Prima facie tax payable on profit from ordinary activities before tax at 30% | **1,369** | **1,211** |
| Add/(less): | | |
| Tax effect of: | | |
| Permanent differences | **32** | **40** |
| Assumption of tax balances of controlled entities | **(107)** | **(189)** |
| Income tax expense attributable to the entity | **1,294** | **1,062** |

## 4. INCOME TAX EXPENSE (continued)

**c.** Current tax payable for the year reconciles as follows:

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Opening provision | **(9)** | **1,325** |
| Add: Current year provision | **1.447** | **1,294** |
| Less: Over provision previous year | **(32)** | **(19)** |
| Add: Tax balance subsidiary acquired | **-** | **(170)** |
| Less: Tax paid | **(950)** | **(2,439)** |
| Closing provision | **456** | **(9)** |

## 5. SENIOR GROUP EXECUTIVES COMPENSATION

a. Names and positions of the senior group executives in office at any time during the financial year are:

| **Senior group executive** | **Position** |
|---|---|
| Christopher Elmore Campbell | Group Managing Director. |
| Stephanie Ann Noble | Group Finance Manager and Company Secretary, Academies Australasia Group Limited. Director Premier Fasteners Pty Limited. |
| Gabriela Del Carmen Rodriguez Naranjo | Executive Director, General Manager and Chief Operations Officer of Academies Australasia Pty Limited and Director of each of its subsidiaries (except ACA Investment Holdings Pte. Limited) and Skilled Placements Pty Limited. |
| Ivan James Mikkelsen | Director and General Manager – Premier Fasteners Pty Limited. |
| Edmund Kwan | Executive Director and Chief Executive Officer Academies Australasia College Pte. Limited. |
| Esther Teo | Executive Director and Chief Executive Officer – Academies Australasia Polytechnic Pty Limited. |
| Jacqualine Apps | College Director – Benchmark Resources Pty Limited T/A Benchmark College. |
| Philip Carroll | Managing Director – Benchmark Resources Pty Limited T/A Benchmark College. (Resigned from the Academies Australasia Group Board on 4 March 2013, and from the Benchmark Resources Pty Limited T/A Benchmark College Board on 14 May 2013) |

b. Remuneration for senior group executives has been included in the Remuneration Report section of the directors' report.

c. **Shareholdings**

Number of shares held by senior group executives and parties related to them

## 5. SENIOR GROUP EXECUTIVES COMPENSATION (continued)

| Senior group executive | Balance 1.7.2012 | Net Change Other (i) | PIP (ii) | Balance 30.6.2013 |
|---|---|---|---|---|
| | 000s | 000s | 000s | 000s |
| Christopher Elmore Campbell | 7,291 | - | 846 | 8,137 |
| Gabriela Del Carmen Rodriguez Naranjo | 15 | - | - | 15 |
| Philip Carroll | 4,249 | (4,249) | - | - |

(i) Shares purchased/(sold) on market via the Australian Securities Exchange.

(ii) Shares issued under PIP

## 6. AUDITOR'S REMUNERATION

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Remuneration of the auditor of the parent entity for: | | |
| - Auditing and reviewing the financial report | **155** | 166 |
| - Taxation services | **24** | 37 |
| - Other services | **40** | 11 |
| | **219** | 214 |
| Remuneration of other auditors of subsidiaries for: | | |
| - Auditing and reviewing the financial report | **14** | 40 |
| - Taxation services | **3** | 1 |
| - Other services | **3** | - |
| | **20** | 41 |

## 7. EARNINGS PER SHARE

| | | |
|---|---|---|
| Basic and diluted earnings per share (cents per share) | **6.8** | 5.3 |
| Weighted average number of ordinary shares used in calculation of basic earnings per share | **47,867** | 47,209 |

a) There are no instruments on issue which have the potential to cause a dilution of earnings per share.

b) In estimating the fully dilutive earnings per share the potential ordinary shares from the PIP were calculated but found to be non dilutive. As at 30 June 2013 the potential number of ordinary shares which could be issued under the plan was 556,000. It is at the Company's discretion whether the liability is satisfied in cash or through the issue of new shares in the Company.

## 8. DIVIDENDS

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Distributions recognised | | |
| Interim fully franked ordinary dividend of 2.5 cents per share (2012: 2.0 cent fully franked) | **1,180** | 944 |
| 2013 final fully franked ordinary dividend of 2.5 cents per share paid in 2012 (2011 2.0 cents franked paid in 2012 ) | **1,207** | 944 |
| | **2,387** | 1,888 |

| | | |
|---|---|---|
| a. Dividends proposed or declared but not recognised in the financial statements: | | |
| Proposed fully franked ordinary dividend of 2.5 cents per share (2012: 2.5 cents fully franked) | **1,340** | 1,180 |
| b. Balance of franking account at year end adjusted for franking credits arising from: | | |
| — payment of provision for income tax | **2,445** | 1,364 |

## 9. CASH AND CASH EQUIVALENTS

| | | |
|---|---|---|
| Cash at bank and on hand | **4,992** | 2,568 |

## 10. TRADE AND OTHER RECEIVABLES

| | | |
|---|---|---|
| CURRENT | | |
| Trade receivables | **2,201** | 2,320 |
| Other receivables | **216** | 98 |
| | **2,417** | 2,418 |

| | | |
|---|---|---|
| a. The ageing analysis of trade receivables is as follows: | | |
| 0 -30 days | **847** | 836 |
| 31- 60 days – not impaired * | **641** | 685 |
| 61- 90 days – not impaired * | **198** | 255 |
| +91 days – not impaired * | **515** | 544 |
| | **2,201** | 2,320 |

* These are debtors that are past due for which no collateral is held and for which no provision for doubtful debts has been made as there has not been a significant change in credit quality and the directors believe that the amounts are still recoverable.

b. The consolidated group has an exposure to credit risk in Singapore and Australia given the consolidated group's operations in those countries. An amount of $220,000 has been included in Trade and Other Receivables in respect of the business operations in Singapore. All other receivables of the consolidated group are Australian geographic exposures.

## 11. INVENTORIES

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| CURRENT | | | |
| At cost | | | |
| Raw materials and stores | | **564** | 644 |
| Finished goods | | **3,251** | 3,010 |
| | | **3,815** | 3,654 |

## 12. OTHER ASSETS

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| CURRENT | | | |
| Prepayments and accrued income | | **954** | 740 |
| Security Deposits | | **2** | 66 |
| Current tax debtor | 4 | **-** | 9 |
| | | **956** | 815 |

## 13. INVESTMENTS

| | 2013 $000s | 2012 $000s |
|---|---|---|
| NON-CURRENT | | |
| Investment in Associate (a) | **394** | - |
| Shares in Listed Corporations | **509** | 302 |
| | **903** | 302 |

(a) On 25 October 2012, the group acquired 40% of the issued share capital of International College of Capoeira Pty Limited trading as College of Sports and Fitness (CSF) for a consideration of $414,286: $300,000 in cash and 142,858 shares ($114,286) in Academies Australasia Group Limited.

i) Losses of associates are broken down as follows:

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Share of associate's loss | **(20)** | - |

ii) Summarised aggregate assets, liabilities and performance of associate:

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Total assets | **1,027** | - |
| Total liabilities | **941** | - |
| Net assets | **86** | - |
| Revenue for financial year (after alignment with Group accounting policies) | **1,493** | - |

## 14. CONTROLLED ENTITIES

| | Country of Incorporation | Percentage Owned (%) 2013 | 2012 |
|---|---|---|---|
| Parent Entity - Academies Australasia Group Limited | | | |
| Ultimate Parent Entity - Academies Australasia Group Limited | | | |
| Academies Australasia Pty Limited | Australia | 100 | 100 |
| Premier Fasteners Pty Limited | Australia | 100 | 100 |
| Skilled Placements Pty Limited | Australia | 100 | 100 |
| Parent Entity - Academies Australasia Pty Limited | | | |
| Academies Australasia (Management) Pty Limited | Australia | 100 | 100 |
| Academy of English Pty Limited | Australia | 100 | 100 |
| Academies Australasia Institute Pty Limited | Australia | 100 | 100 |
| Australian Institute of Professional Studies Pty Limited | Australia | 100 | 100 |
| Australian International High School Pty Limited | Australia | 100 | 100 |
| Australian College of Technology Pty Limited | Australia | 100 | 100 |
| Australian Trades Institute Pty Limited | Australia | 100 | 100 |
| Clarendon Business College Pty Limited | Australia | 100 | 100 |
| Supreme Business College Pty Limited | Australia | 100 | 100 |
| AMI Education Pty Limited (formerly Academies Australasia Polytechnic Pty Limited) | Australia | 100 | 100 |
| ACA Investment Holdings Pte. Limited | Singapore | 100 | 100 |
| Academies Australasia College Pte.Limited (25% acquired 23 January 2013) | Singapore | 100 | 75 |
| AKG Investment Holdings Pty Limited | Australia | 100 | 100 |
| Academies Australasia Polytechnic Pty Limited (formerly AMI Education Pty Limited) (25% acquired 15 February 2013) | Australia | 100 | 75 |
| AKG2 Investment Holdings Pty Limited | Australia | 100 | 100 |
| Benchmark Resources Pty Limited T/A Benchmark College (49% acquired 15 May 2013) | Australia | 100 | 51 |
| AKG3 Investment Holdings Pty Limited | Australia | 100 | 100 |
| Live. Laugh. Learn. Pty Limited | Australia | 100 | 100 |
| AKG4 Investment Holdings Pty Limited (Incorporated 26 September 2012) | Australia | 100 | - |
| Discover English Pty Limited (acquired 16 October 2012) | Australia | 100 | - |

Percentage of voting power is in proportion to ownership

### Acquisition of controlled entities

**Discover English Pty Limited**

On 16 October 2012, the group acquired 100% of the issued share capital of Discover English Pty Limited, a college in Melbourne, for a purchase consideration of $190,000 in cash.

The acquisition is part of the group's overall strategy to expand its education operations.

Through acquiring 100% of the issued capital of Discover English Pty Limited, the group has obtained control of the company.

The consolidated revenue and profit of the group if the acquisition of Discover English Pty Limited had taken place on 1 July 2012 has not been disclosed. This is because it is impracticable to determine what the results of Discover English Pty Limited might have been prior to the actual date of acquisition in accordance with the accounting policies of the group using available accounting information.

## 14. CONTROLLED ENTITIES (continued)

| | Fair Value |
|---|---|
| | $000s |
| Purchase consideration | |
| - cash | 190 |
| | |
| Less: | |
| Cash | 585 |
| Receivables | 308 |
| Property, plant and equipment | 104 |
| Payables | (1,192) |
| Identifiable assets acquired and liabilities assumed | (195) |
| | |
| Goodwill | 385 |
| | |
| Purchase consideration settled in cash | 190 |
| | |
| Cash inflow on acquisition | 395 |

It is impracticable to disclose the profit of Discover English Pty Limited since acquisition and include it in the consolidated statement of comprehensive income. This is because Discover English Pty Limited forms part of the group's education segment which is managed as a unit. Consequently, it is not possible to determine separate results for Discover English Pty Limited which include all costs related to that company. Some costs can be determined only from an education segment or a group perspective and cannot be allocated specifically to Discover English Pty Limited itself.

### Acquisition of Remaining Non controlling interests

**Academies Australasia College Pte. Limited**

On 23 January 2013, the group acquired the remaining 25% of the issued share capital in Academies Australasia College Pte. Limited for a total of S$344,235 ($270,000) in cash.

**Academies Australasia Polytechnic Pty Limited**

On 15 February 2013, the group acquired the remaining 25% of the issued share capital in Academies Australasia Polytechnic Pty Limited for a total of $481,260 in cash and the issue of 55,875 ($36,319) new shares in Academies Australasia Group Limited.

**Benchmark Resources Pty Limited T/A Benchmark College**

On 15 May 2013, the group acquired the remaining 49% of the issued share capital in Benchmark Resources Pty Limited T/A Benchmark College for a total of $650,000 in cash.

All the above are now wholly owned by Academies Australasia Group Limited.

## 15. PLANT AND EQUIPMENT

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Plant and equipment | | |
| At cost | **3,180** | 3,246 |
| At valuation | **1,843** | 869 |
| Accumulated depreciation | **(2,322)** | (2,233) |
| | **2,701** | 1,882 |
| Leasehold improvements | | |
| At cost | **2,584** | 2,462 |
| Accumulated amortisation | **(1,550)** | (1,143) |
| | **1,034** | 1,319 |
| Leased plant and equipment | | |
| Capitalised leased assets | **53** | 53 |
| Accumulated depreciation | **(29)** | (21) |
| | **24** | 32 |
| Total plant & equipment | **3,759** | 3,233 |

| **2013** | Plant and equipment $000s | Leasehold improvements $000s | Leased plant and equipment $000s | Total $000s |
|---|---|---|---|---|
| Balance at the beginning of the year | **1,882** | **1,319** | **32** | **3,233** |
| Revaluation | **974** | **-** | **-** | **974** |
| Additions | **223** | **72** | **-** | **295** |
| Disposals | **(11)** | **(18)** | **-** | **(29)** |
| Depreciation expense | **(367)** | **(340)** | **(8)** | **(715)** |
| Net foreign currency difference arising on translation of financial statements of foreign operations | **-** | **1** | **-** | **1** |
| Carrying amount at the end of the year | **2,701** | **1,034** | **24** | **3,759** |

| **2012** | Plant and equipment $000s | Leasehold improvements $000s | Leased plant and equipment $000s | Total $000s |
|---|---|---|---|---|
| Balance at the beginning of the year | 1,868 | 1,626 | 8 | 3,502 |
| Additions | 538 | 39 | - | 577 |
| Disposals | (121) | - | - | (121) |
| Transfers between categories | (30) | | 30 | - |
| Depreciation expense | (374) | (347) | (6) | (727) |
| Net foreign currency difference arising on translation of financial statements of foreign operations | 1 | 1 | - | 2 |
| Carrying amount at the end of the year | 1,882 | 1,319 | 32 | 3,233 |

## 16. DEFERRED TAX ASSETS

| | 2013<br>$000s | 2012<br>$000s |
|---|---|---|
| Future income tax benefit | **436** | 589 |
| The future income tax benefits is made up of the following estimated tax benefits: | | |
| Temporary differences: | | |
| -deferred tax assets | **948** | 801 |
| -deferred tax liabilities | **(512)** | (212) |
| Tax losses: | | |
| -operating losses | **-** | - |
| | **436** | 589 |

| | Opening Balance<br>$000s | Charged To Income<br>$000s | Charged To Equity<br>$000s | Closing Balance<br>$000s |
|---|---|---|---|---|
| **Deferred Tax Assets** | | | | |
| Provisions | 524 | 93 | - | 617 |
| Unearned Income | 186 | 34 | - | 220 |
| Other | 91 | 20 | - | 111 |
| | 801 | 147 | - | 948 |
| **Deferred Tax Liabilities** | | | | |
| Plant & Equipment | 135 | (19) | 272 | 388 |
| Investments | - | 53 | - | 53 |
| Prepayments and Other | 77 | (6) | - | 71 |
| | 212 | 28 | 272 | 512 |

| | 2013<br>$000s | 2012<br>$000s |
|---|---|---|
| Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur: | | |
| Tax losses: | | |
| -operating losses | **-** | - |
| -capital losses | **5** | 5 |
| | **5** | 5 |

## 17. INTANGIBLE ASSETS

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Goodwill at cost | **10,727** | 10,334 |
| Accumulated impairment losses | **(382)** | (382) |
| Net carrying value | **10,345** | 9,952 |
| | | |
| Other at cost | **63** | 1 |
| | **10,408** | 9,953 |

| | Goodwill $ | Other $ | Total $ |
|---|---|---|---|
| **Year ended 30 June 2013** | | | |
| Balance at the beginning of the year | 9,952 | 1 | 9,953 |
| Foreign exchange adjustment | 8 | - | 8 |
| Acquisition Discover English Pty Limited | 385 | - | 385 |
| Rebranding costs | - | 62 | 62 |
| Balance at the end of the year | **10,345** | **63** | **10,408** |
| | | | |
| **Year ended 30 June 2012** | | | |
| Balance at the beginning of the year | 9,396 | 1 | 9,397 |
| Foreign exchange adjustment | 1 | - | 1 |
| Premier Fasteners Pty Limited | 517 | - | 517 |
| Academies Australasia Polytechnic Pty Limited | 38 | - | 38 |
| Balance at the end of the year | **9,952** | **1** | **9,953** |

Impairment Disclosures

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Fasteners segment | **1,892** | 1,892 |
| Education segment | **8,453** | 8,060 |
| Total | **10,345** | 9,952 |

Goodwill is allocated to cash-generating units which are based on the group’s operating segments.

The recoverable amount of each cash generating unit is determined based on value in use calculations supplemented by the fair values of recent acquisitions. In accordance with paragraph 24 of *AASB 136 Impairment of Assets*, reliance has been placed on a model created in a preceding period. The model includes a sensitivity analysis allowing for a range of growth rates.

## 17. INTANGIBLE ASSETS (continued)

The following assumptions were used in the value in use calculations:

| | Growth rate | Discount rate |
|---|---|---|
| Fasteners segment | 2-5% | 8% |
| Education segment | 8-33% | 8% |

Paragraph 24 of *AASB 136 Impairment* of assets states that the following criteria must be satisfied in order to place reliance on a model created in a preceding period:

- The assets and liabilities have not changed significantly since the most recent calculation
- The most recent calculation resulted in an amount exceeding the asset's carrying amount by a substantial margin
- Analysing events since the last calculation was performed, there is a remote possibility that the recoverable amount is lower than the current amount.

The directors believe that all the above criteria have been met.

## 18. TRADE AND OTHER PAYABLES

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| CURRENT | | | |
| Unsecured Liabilities | | | |
| Trade payables [a] | | **4,071** | 2,608 |
| Sundry payables and accrued expenses | | **2,256** | 1,749 |
| | | **6,327** | 4,357 |

a. Includes $2,568,000 (2012: $1,524,000) tuition fees paid in advance by college students.

## 19. BORROWINGS

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| CURRENT | | | |
| Secured Liabilities – Interest Bearing | | | |
| Bank bills | 19a | **919** | 572 |
| Trade finance loan facility | 19a | **46** | - |
| Bank loans | 19a | **-** | 23 |
| Lease purchase agreements | 19a | **4** | 15 |
| | | **969** | 610 |
| NON-CURRENT | | | |
| Secured Liabilities – Interest Bearing | | | |
| Bank bills | 19a | **2,402** | 1,713 |
| Lease purchase agreements | 19a | **-** | 4 |
| | | **2,402** | 1,717 |

a. Total current and non-current secured liabilities:

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| Bank bills | 28 | **3,321** | 2,285 |
| Trade finance loan facility | 28 | **46** | - |
| Bank loans | 28 | **-** | 23 |
| Lease purchase agreements | 22, 28 | **4** | 19 |
| | | **3,371** | 2,327 |

## 19. BORROWINGS (continued)

| | 2013 $000s | 2012 $000s |
|---|---|---|
| b. The carrying amounts of non-current assets pledged as security are: | | |
| Floating charge over assets | **11,099** | 11,508 |
| Plant and equipment | **-** | - |
| | **11,099** | 11,508 |

c. The bank bills are secured by a floating charge over the assets of the parent entity and its wholly owned subsidiaries (other than those in note 22).

d. The lease purchase borrowings are additionally secured on the leased asset. The leases are due for repayment in 2013.

## 20. PROVISIONS

| | Employee entitlements **$000s** | Deferred Consideration **$000s** | **Total** **$000s** |
|---|---|---|---|
| Balance at the beginning of the year | **1,835** | **517** | **2,352** |
| Additional provisions | **1,068** | **-** | **1,068** |
| Amounts used | **(1,034)** | **(146)** | **(1,180)** |
| Carrying amount at the end of the year | **1,869** | **371** | **2,240** |

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Total Provisions | | |
| Current | **752** | 1,647 |
| Non-current | **1,488** | 705 |
| | **2,240** | 2,352 |

a. Provision for long-term employee benefits
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits, has been included in Note 1 to this report.

b. Provision for payment under Performance Incentive Plan
See Note 1t.

c. Provision for deferred consideration
A provision has been recognised for deferred consideration on the acquisition of a business disclosed in Note 17. Payments are expected to be over 4 years and are dependent on expected future sales.

## 21. ISSUED CAPITAL

| | 2013<br>$000s | 2012<br>$000s |
|---|---|---|
| 48,254,297 ordinary shares fully paid (2012: 47,209,410) | **18,372** | 17,738 |

**Ordinary share capital**

| | | |
|---|---|---|
| Balance at the beginning of the financial year | **17,738** | 17,738 |
| 846,154 ordinary shares issued on 9 November 2012 for PIP | **484** | - |
| 142,858 ordinary shares issued on 25 October 2012 for investment in College of Sports and Fitness | **114** | - |
| 55,875 ordinary shares issued on 15 February 2013 on acquisition of 25% of Academies Australasia Polytechnic Pty Limited. | **6** | - |
| Balance at the end of the financial year | **18,372** | 17,738 |

a. Shares disclosure

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At a shareholders meeting each ordinary share is entitled to one vote when a poll is called. Otherwise, each shareholder has one vote on a show of hands.

The number of shares authorised is equal to the number of shares issued. Shares have no par value.

b. Capital Management.

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There were no changes in the group's capital management procedures during the year.

## 22. LEASING COMMITMENTS

### Lease purchase commitments

| | Note | 2013 $000s | 2012 $000s |
|---|---|---|---|
| Payable – minimum lease payments | | | |
| Not later than one year | | **4** | 16 |
| Later than one year but not later than five years | | **-** | 4 |
| Minimum lease payments | | **4** | 20 |
| Less future finance charges | | **-** | 1 |
| Present value of minimum lease payments | 19a | **4** | 19 |

At the end of the lease periods the lessor's charges over the plant and equipment cease, leaving the assets the unencumbered property of the consolidated group.

### Operating Lease commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Not later than one year | **3,825** | 3,482 |
| Later than one year but not later than five years | **8,982** | 8,585 |
| Later than five years | **1,530** | 2,891 |
| | **14,337** | 14,958 |

The consolidated group leases property under operating leases expiring from 1 year to 7 years. Lease payments comprise a base amount plus an incremental rental, based on either movement in the Consumer Price Index or minimum percentage increase criteria.

## 23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

### Contingent Liabilities

### Guarantees

There is a corporate guarantee between the wholly owned group companies as security for the bank facilities. This guarantee does not include:

AKG3 Investment Holdings Pty Limited
AKG4 Investment Holdings Pty Limited
Live. Laugh. Learn. Pty Limited
AMI Education Pty Limited (formerly Academies Australasia Polytechnic Pty Limited)
Academies Australasia College Pte. Limited
Academies Australasia Polytechnic Pty Limited (formerly AMI Education Pty Limited)
Benchmark Resources Pty Limited
Discover English Pty Limited T/A Benchmark College

## 24. SEGMENT REPORTING

| | FASTENERS | | EDUCATION | | CONSOLIDATED | |
|---|---|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | $000s | $000s | $000s | $000s | $000s | $000s |
| **Primary reporting – Business segments** | | | | | | |
| **Revenue** | | | | | | |
| External sales | **7,495** | 7,730 | **28,254** | 25,262 | **35,749** | 32,992 |
| Other revenue | **-** | 1 | **2,078** | 841 | **2,078** | 842 |
| | **7,495** | 7,731 | **30,332** | 26,103 | **37,827** | 33,834 |
| Unallocated revenue | | | | | **-** | 17 |
| **Total revenue** | | | | | **37,827** | 33,851 |
| Segment result | **738** | 605 | **5,681** | 4,857 | **6,419** | 5,462 |
| Unallocated expenses net of unallocated revenue | | | | | **(1,856)** | (1,426) |
| **Profit from ordinary activities before income tax** | | | | | **4,563** | 4,036 |
| **Segment assets** | **9,108** | 8,314 | **17,078** | 13,827 | **26,186** | 21,141 |
| Unallocated | | | | | **1,500** | 1,391 |
| Total assets | | | | | **27,686** | 23,532 |
| **Segment liabilities** | **1,726** | 1,681 | **9,437** | 6,131 | **11,163** | 7,812 |
| Unallocated | | | | | **1,231** | 1,224 |
| Total liabilities | | | | | **12,394** | 9,036 |
| **Acquisition of non-current segment assets** | **35** | 330 | **331** | 247 | **366** | 577 |
| **Depreciation and amortisation of segment assets** | **138** | 136 | **459** | 473 | **597** | 609 |

### Business segments

Major products/services of business segments:

| | |
|---|---|
| Fasteners | Manufacture, import and sale of fasteners |
| Education | Training and education services |

### Geographical information

The consolidated group operates in Australia and Singapore. The revenues and non-current assets of the consolidated group are as follows:

| | $000s | $000s |
|---|---|---|
| **Geographic Location** | Australia | Singapore |
| Revenues from External Customers | 34,186 | 3,641 |
| Non-current assets | 15,506 | 65 |

### Accounting Policies

Segment revenues and expenses are those directly attributable to the segments.
Segment assets and liabilities include all assets used in and all liabilities generated by the segments. Deferred tax assets and liabilities are not allocated to segments.

## 25. CASH FLOW INFORMATION

### a. Reconciliation of cash flow from operations with profit after income tax

| | 2013 $000s | 2012 $000s |
|---|---|---|
| Profit after income tax | **3,269** | 2,974 |
| Non-cash flows in profit (loss) | | |
| Amortisation | **340** | 347 |
| Depreciation | **375** | 380 |
| Other | **-** | (24) |
| Net loss on disposal of plant and equipment | **29** | 98 |
| Write-downs to recoverable amounts | **75** | 12 |
| Unrealised gain on investments | **(178)** | - |
| Unrealised foreign exchange movement | **77** | 2 |
| Deferred tax on revaluation | **(272)** | - |
| Changes in assets and liabilities | | |
| (Increase)/decrease in trade and other receivables | **172** | (206) |
| (Increase)/decrease in inventories | **(161)** | (561) |
| (Increase)/decrease in other current assets | **(87)** | (22) |
| (Increase)/decrease in inventories | **20** | - |
| (Increase)/decrease in deferred tax assets | **152** | (44) |
| Increase/(decrease) in trade and other payables | **810** | 971 |
| Increase/(decrease) in tax payables | **465** | (1,334) |
| Increase/(decrease) in provisions | **340** | 168 |
| Cash flow from operations | **5,426** | 2,761 |

### b. Credit Standby Arrangements with Banks

| | 2013 $000s | 2012 $000s |
|---|---|---|
| **Commercial Bill Facility** | | |
| Credit facility | **5,000** | 5,000 |
| Amount utilised | **(3,321)** | (2,285) |
| | **1,679** | 2,715 |
| **Trade Finance Loan Facility** | | |
| Credit facility | **300** | 300 |
| Amount utilised | **(46)** | - |
| | **254** | 300 |

The major facilities are summarised as follows:

*Bank overdrafts*
Bank overdraft facilities are arranged with the general terms and conditions being set and agreed annually. They are due for review on 1 July 2014. Interest rates are variable and subject to adjustment.

*Commercial bill facility*
$5,000,000 variable interest rate facility expires on 30 June 2016.

## 26. EVENTS AFTER THE BALANCE SHEET DATE

The directors have announced the payment of a fully franked dividend of two and a half cents per share ($1,340,000), to be paid on 26 September 2013.

On 2 August 2013, Academies Australasia Group Limited issued 5,340,000 new fully paid ordinary shares at 75 cents per share. (See 'Events After the Reporting Date' in the Directors Report)

There are no other matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in subsequent financial years.

The financial report was authorised for issue on 19 August 2013 by the Board of directors.

## 27. RELATED PARTY TRANSACTIONS

### Directors' transactions with the Company and the consolidated group

Details of directors' remuneration are set out in the Remuneration Report section of the directors' report. Directors are reimbursed for expenses incurred by them on behalf of the consolidated group.

### Directors' and specified executives' relevant interests in shares

Details of directors' relevant interests in shares are set out in the directors' report.

### Other related party transactions

Transactions between the Company and controlled entities include loans, management fees and interest. Details of these transactions and the amounts owing at balance date are included in Notes 5 and 19.

## 28. FINANCIAL INSTRUMENTS

### a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, investments, accounts receivable and payable, loans to and from subsidiaries, bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

Senior management meet on a regular basis to review currency and interest rate exposure and to evaluate treasury management strategies where relevant, in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

The interest rate risk has been managed by the consolidated group by reducing and in most cases eliminating interest bearing debt. Stand by facilities has been set with a combination of fixed and floating rate possibilities. There is no set policy as to the mix of interest rate exposures.

Foreign currency risk

The consolidated group is exposed to foreign currency risk on its purchase of products and the sale of training and education courses to international students and on the translation of its foreign subsidiaries. The consolidated group had not hedged foreign currency transactions as at 30 June 2013. Senior management continue to evaluate this risk on an ongoing basis.

## 28. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained, where possible.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. In the education business, credit risk is minimised by, generally, collecting tuition fees in advance. In the fastening business credit risk is minimised by managing the debtors portfolio actively and maintaining effective monitoring and collection policies.

Price risk

In respect of the fastener business, the price of wire is constantly monitored. The company does not currently hedge the prices at which it purchases wire.

### b. Financial Instruments

### i. Interest Rate Risk

The consolidated group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

| | Note | Weighted average interest rate | Floating interest rate | Fixed interest maturing in: 1 year or less | 1 to 5 years | Non-Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | $000s | $000s | $000s | $000s | $000s |
| **2013** | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and cash equivalents | 9 | 1.13% | 4,992 | - | - | - | 4,992 |
| Trade and other receivables | 10 | | - | - | - | 2,417 | 2,417 |
| | | | 4,992 | - | - | 2,417 | 7,409 |
| *Financial liabilities* | | | | | | | |
| Trade and other payables | 18 | | - | - | - | 6,327 | 6,327 |
| Bank bills | 19 | 8.62% | - | 919 | 2,402 | - | 3,321 |
| Bank Trade refinance | 19 | 4.84% | - | 46 | - | - | 46 |
| Lease purchase agreements | 19 | 8.93% | - | 4 | - | - | 4 |
| | | | - | 969 | 2,402 | 6,327 | 9,698 |

## 28. FINANCIAL INSTRUMENTS (continued)

| | Note | Weighted average interest rate | Floating interest rate | Fixed interest maturing in: 1 year or less | 1 to 5 years | Non-Interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | $000s | $000s | $000s | $000s | $000s |
| 2012 | | | | | | | |
| *Financial assets* | | | | | | | |
| Cash and cash equivalents | 9 | 2.35% | 2,568 | - | - | - | 2,568 |
| Trade and other receivables | 10 | - | - | - | - | 2,418 | 2,418 |
| | | | 2,568 | - | - | 2,418 | 4,986 |
| *Financial liabilities* | | | | | | | |
| Trade and other payables | 18 | - | - | - | - | 4,357 | 4,357 |
| Bank bills | 19 | 5.49% | - | 572 | 1,713 | - | 2,285 |
| Bank Loans | 19 | 12.85% | - | 23 | - | - | 23 |
| Lease purchase agreements | 19 | 10.92% | - | 15 | 4 | - | 19 |
| | | | - | 610 | 1,717 | 4,357 | 6,684 |

ii. Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair value.

iii. Amounts payable in foreign currencies

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies calculated at year end exchange rates, are as follows:

| | 2013 $000s | 2012 $000s |
|---|---|---|
| **United States Dollars** | | |
| Amounts payable | **189** | 106 |

iv. In addition the group holds investments recognised at fair value of $509,000 (2012: $302,000). The basis for fair value is disclosed in Note 1.

v. Sensitivity Analysis

The following table illustrates sensitivity analysis to the group's exposure to changes in interest rates. The table indicates the estimated impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the interest rate that management considers reasonably possible.

| | Profit | Equity |
|---|---|---|
| | $ | $ |
| 2013 | | |
| +/- 2% in interest rates | 67 | 67 |

## 29. NEW ACCOUNTING STANDARDS FOR APPLICATION IN FUTURE PERIODS

Management have considered all standards and interpretations issued but not yet effective and do not believe that any will have a material impact on the financial report. No new standards and interpretations have been adopted early.

## 30. PARENT INFORMATION

The following information has been extracted from the books of the parent and has been prepared in accordance with Australian Accounting Standards

| | 2013<br>$000s | 2012<br>$000s |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| **Assets** | | |
| Current assets | **6,101** | 6,683 |
| Non-current assets | **5,173** | 5,301 |
| **Total Assets** | **11,274** | 11,984 |
| **Liabilities** | | |
| Current Liabilities | **486** | 1,265 |
| Non-current liabilities | **745** | 71 |
| **Total Liabilities** | **1,231** | 1,336 |
| **Equity** | | |
| Issued capital | **18,372** | 17,738 |
| Retained earnings | **(8,329)** | (7,090) |
| **Total Equity** | **10,043** | 10,648 |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| Total Profit | **1,669** | 1,067 |
| Total comprehensive Income | **1,669** | 1,067 |

**31. COMPANY DETAILS**

The registered office of Academies Australasia Group Limited is:

Level 6
505 George Street
Sydney NSW 2000

The principal places of business of the companies in the consolidated group are:

**Academies Australasia**
Level 6
505 George Street
Sydney NSW 2000

**Premier Fasteners**
1 & 3 Ladbroke Street
Milperra
NSW 2214

**Academies Australasia College**
51 Middle Road
Singapore
188959

**Academies Australasia Polytechnic**
Level 4
303 Collins Street
Melboune
Vic 3000

**Benchmark College**
Suite 10
140-142 Henry Street
Penrith
NSW 2750

**Discover English**
376-378 Bourke Street
Melbourne
Vic 3000

* * *

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**AND CONTROLLED ENTITIES**
**DIRECTORS' DECLARATION**

The directors of the Company declare that:

1. the financial statements and notes, set out on pages 19 to 51, are in accordance with the *Corporations Act 2001* and:

   (i) comply with Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and

   (ii) give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Company and consolidated group.

2. The Chief Executive Officer and Chief Financial Officer have each declared that:

   (i) the financial records of the company and the consolidated group for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;

   (ii) the financial statements and notes for the financial year comply with Accounting Standards; and

   (iii) the financial statements and notes for the financial year give a true and fair view, and

3. In the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The Company and the following wholly owned subsidiaries have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

Academies Australasia Group Limited
Academies Australasia Management Pty Limited
Clarendon Business College Pty Limited
Skilled Placements Pty Limited
Premier Fasteners Pty Limited
Supreme Business College Pty Limited
Academy of English Pty Limited
Australian College of Technology Pty Limited
Australian International High School Pty Limited
Australian Trades Institute Pty Limited
Australian Institute of Professional Studies Pty Limited
Academies Australasia Institute Pty Limited
AKG Investment Holdings Pty Limited
AKG2 Investments Holdings Pty Limited
ACA Investment Holdings Pte. Limited

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**AND CONTROLLED ENTITIES**
**DIRECTORS' DECLARATION**

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

| | |
|---|---|
| Neville Thomas Cleary | Christopher Elmore Campbell |
| Director | Director |

19 August 2013

PILOT PARTNERS
Chartered Accountants
Level 10, Waterfront Place
1 Eagle St, Brisbane 4000
PO Box 7095 Brisbane 4001
Queensland Australia
P +61 7 3023 1300
F +61 7 3229 1227
pilotpartners.com.au

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF ACADEMIES AUSTRALASIA GROUP LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Academies Australasia Group Limited (the company) and Academies Australasia Group Limited and controlled entities (the consolidated group), which comprises the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated report comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We have given the directors of the Company a written auditor's independence declaration, a copy of which is included in the directors' report.

*Auditor's Opinion*

In our opinion:

a. the financial report of Academies Australasia Group Limited and Academies Australasia Group Limited and controlled entities is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and consolidated group's financial position as at 30 June 2013 and of their financial performance and their cash flows for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report of Academies Australasia Group Limited included in pages 13 to 15 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Academies Australasia Group Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

Pilot Partners

PILOT PARTNERS

DANIEL GILL

19 August 2013

Level 10
1 Eagle Street
Brisbane, Queensland 4000

**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows.

## SUBSTANTIAL HOLDERS

### Ordinary Shares

The relevant interests of substantial shareholders as at 16 August 2013 were:

| Shareholder | No. of Shares Held | % |
|---|---|---|
| Mr Chiang Meng Heng[a] | 24,941,886 | 46.54 |
| Mr Christopher Elmore Campbell[b] | 8,136,929 | 15.18 |
| Jilcy Pty Ltd Jilcy Super Fund A/C | 6,786,775 | 12.66 |
| Eng Kim Low | 3,779,126 | 7.05 |
| Catholic Church Insurance Limited | 2,956,848 | 5.52 |

[a] Includes 3,779,126 shares held by Eng Kim Low
[b] Includes 6,786,775 shares held by Jilcy Pty Ltd Jilcy Super Fund A/C and 500,000 shares held by Bankura Pty Ltd Campbell Family Trust A/C

## VOTING RIGHTS

### Ordinary Shares

At 16 August 2013 there were 322 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Articles 69 and 70 of the Company's Articles of Association, are:

*Article 69*
*"Subject to these Articles and any rights or restrictions for the time being attached to any class or classes of shares:*
*(a) at meetings of members or classes of members each member entitled to attend and vote may attend and vote in person or by proxy, or attorney and (where the member is a body corporate) by representative;*
*(b) on a show of hands, every Member present has 1 vote;*
*(c) on a poll, every Member present has:*
*(i) 1 vote for each fully paid share; ……."*

*Article 70*
*"Where more than 1 joint holder votes, the vote of the holder, whose name appears first in the register of members shall be accepted to the exclusion of the others."*

**ACADEMIES AUSTRALASIA GROUP LIMITED**
**AND CONTROLLED ENTITIES**
**ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES**

## 20 LARGEST SHAREHOLDERS AS AT 16 AUGUST 2013

| | Registered Name | No. Shares | % |
|---|---|---|---|
| 1 | Mr Chiang Meng Heng | 21,162,760 | 39.49 |
| 2 | Jilcy Pty Ltd Jilcy Super Fund A/C | 6,786,775 | 12.66 |
| 3 | Eng Kim Low | 3,779,126 | 7.05 |
| 4 | Catholic Church Insurance Limited | 2,956,848 | 5.52 |
| 5 | Vasek Fasteners Pty Ltd Premier Screw Super A/C | 1,553,529 | 2.90 |
| 6 | UBS Nominees Pty Ltd | 1,522,293 | 2.84 |
| 7 | National Nominees Limited | 1,229,600 | 2.29 |
| 8 | Mr Christopher Elmore Campbell | 850,154 | 1.59 |
| 9 | J&B Schlederer Pty Ltd J&B Schlederer super A/C | 801,400 | 1.50 |
| 10 | BNP Paribas Noms Pty Ltd (DRP) | 787,900 | 1.47 |
| 11 | Mrs Gail Leslie Storey | 634,335 | 1.18 |
| 12 | HSBC Custody Nominees (Australia) Ltd A/C 2 | 600,000 | 1.12 |
| 13 | JP Morgan Nominees Australia Limited | 529,500 | 0.99 |
| 14 | Citicorp Nominees Pty Limited | 519,631 | 0.97 |
| 15 | Bankura Pty Ltd Campbell Family Trust A/C | 476,000 | 0.89 |
| 16 | Ms Anthea Judith Drescher | 439,922 | 0.82 |
| 17 | Leftone Nominees Pty Limited CJ Lourey Super Fund A/C | 425,000 | 0.79 |
| 18 | Sandhurst Trustees Ltd TBF Small Cap Val Grwth A/C | 425,000 | 0.79 |
| 19 | Frank Kwong-Shing Wong | 380,000 | 0.71 |
| 20 | Daniel Hing Yuen Wong Jehovah Jireh Family A/C | 343,872 | 0.64 |
| | | 46,203,645 | 86.21 |

## HOLDING RANGE (SHAREHOLDERS) AS AT 16 AUGUST 2013

| Range | No. Holders | Total No. Shares | % |
|---|---|---|---|
| 1 - 1,000 | 59 | 44,565 | 0.08 |
| 1,001 - 5,000 | 107 | 301,889 | 0.56 |
| 5,001 - 10,000 | 41 | 307,958 | 0.57 |
| 10,001 - 100,000 | 74 | 3,232,784 | 6.03 |
| 100,001 + | 41 | 49,707,101 | 92.76 |
| | 322 | 53,594,297 | 100.00 |

## UNMARKETABLE PARCELS AS AT 16 AUGUST 2013

| | Minimum Parcel Size | No. Holders | Units |
|---|---|---|---|
| Minimum $500.00 parcel at $0.925 per unit | 541 | 16 | 5,046 |

* * *

## OFFICES AND OFFICERS

| | | |
|---|---|---|
| **DIRECTORS** | Neville Thomas Cleary | Chairman (Independent & Non-Executive) |
| | Christopher Elmore Campbell | Group Managing Director |
| | Chiang Meng Heng | Director (Non-Executive) |
| | Dr John Lewis Schlederer | Director (Independent & Non-Executive) |
| | Gabriela Del Carmen Rodriguez Naranjo | Alternate Director to Neville Thomas Cleary |

| | |
|---|---|
| **COMPANY SECRETARY** | Stephanie Ann Noble |

**REGISTERED OFFICE**

Academies Australasia Group Limited
Level 6
505 George Street
Sydney NSW 2000

Telephone: (02) 9224 5555
Facsimile: (02) 9224 5550

**SHARE REGISTRAR**

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

Telephone: (02) 8234 5000
Toll Free (Australia only) 1300 850 505
Facsimile: (02) 8234 5050
Web Site: www.academies.edu.au

**SECURITIES EXCHANGE**

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

ASX Code: AKG