



ACADEMIES AUSTRALASIA

THE POSSIBILITIES ARE INFINITE

ACADEMIES AUSTRALASIA GROUP LIMITED
ANNUAL REPORT 2016
ACN 000 003 725

ACADEMIES AUSTRALASIA GROUP LIMITED

ANNUAL REPORT 2016

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REPORT OF THE CHAIRMAN AND THE GROUP MANAGING DIRECTOR

The year ended 30 June 2016 was a difficult year. While the business environment was not perfect, our problem was within. Spectra Training recorded an EBITDA loss of \$3.04 million. The group EBITDA loss was \$3.135 million.

Our business environment

The international demand for Australian standard education continues to grow. Exports from the Australian international education sector for calendar 2015 were at a record \$21 billion – making it the second largest export sector. The recent re-election of the Coalition government is seen to be positive for the sector as they had previously put in place strategies that were well founded. And, for the first time, international education has a champion in Cabinet. International education is now part of the portfolio of Senator the Hon Simon Birmingham, Minister for Education and Training, a Cabinet minister.

The domestic sector came under a lot of pressure during the period under review predominantly because fraud in VET Fee Help arrangements to the tune of hundreds of millions of dollars. We have 3 colleges with VET Fee Help status. Their operations are small and well within the regulations. Nevertheless, the widespread reports about certain vocational colleges abusing the system had a negative effect on domestic business in the VET sector. The sector is awaiting new regulations and guidelines from the Federal Government. Until then, the market is not expected to lift.

The year ended June 2016

Revenue was down 3% to \$55 million. The focus was on consolidation after the acquisitions in the previous years. However, especially in the latter part of the year, substantial management time and resources had to be devoted to Spectra Training.

EBITDA for the period under review was negative \$3.135 million compared to a profit of \$1.97 million in the previous corresponding period. This severe fall can be attributed to 4 principal reasons:

1. Spectra Training's negative EBITDA - \$3.04 million
2. Reduction in value of investment in Redhill Education Limited - \$1.163 million
3. Other one-off expenses (announced on 12 August 2016 - \$0.70 million)
4. Senior management focus on turning around Spectra Training

Spectra Training's performance improved substantially in the last quarter of the year. Barring any unforeseen adverse developments in the domestic sector, Spectra Training is aiming at a positive EBITDA contribution in the financial year.

During the year a substantial amount (\$3.6 million) was spent on re-structuring and re-organisation. EBITDA before this expenditure, the unrealised loss on investment and other income would have been \$1.6 million (2015 \$1.9 million).

Outlook

New premises were contracted in Melbourne for Discover English and in Perth for Language Links and the Perth operations of Academies Australasia Institute and Spectra Training. These new premises will be more attractive to our students and corporate clients.

Australia is well positioned to cater for the demand for international education and we are confident in this sector. Skills Training Australia's recent approval to offer the Diploma and Advanced Diploma in Nursing to international students is a significant area that will be pursued in the second half of this year. The domestic business is more difficult to predict. Nevertheless, we do have a wide range of courses and have a good team in place.

Changes to the Board

Bill Say Mui Foo was appointed Non-Executive Director on 1 July 2015.

Ruffy Geminder, Non-Executive Director, resigned on 24 September 2015.

Gary William Cobbedick, Executive Director, left the Group and the Board on 14 January 2016.

2015 Rights Issue

The Rights Issue to raise \$4.0 million, announced in August 2015, was successfully completed. We thank all shareholders for their support.

Emphasis of Matter

Shareholders will note that the Auditors report has an 'Emphasis of Matter' ('EOM'). The need for the EOM arises from the net loss of \$4.3 million for the period under review and the current liabilities at 30 June 2016 being \$15.694 million more than current assets. The latter point arises because all debt at 30 June 2016 is being shown as current: at that date the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months. The Group has an offer to extend its financial arrangements dated 30 June 2016. This offer has not yet been executed.

Going Concern

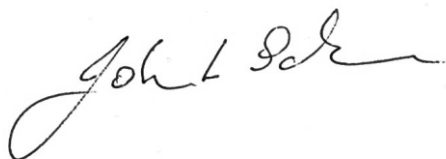
The Board believes that it is appropriate that the Group's financial statements continue to be prepared on a 'Going Concern' basis, which contemplates the orderly realisation of assets and payment of liabilities in the ordinary course of business. The Board is currently satisfied that there are reasonable grounds to assume that the Company will meet its future financial obligations as and when they fall due. The factors supporting this assumption are set out in the Directors' Report on page 6.

Majority Shareholders' Support

During the year, fellow directors, Chiang Meng Heng and Christopher Elmore Campbell, extended short-term loans of \$1.0 million and \$0.5 million respectively, to the Group. Together, they have relevant interests exceeding 50% of the shares in the Company. They have advised the Board that they are prepared to allow their loans to continue until 31 January 2017. They also advised the Board that in the event of a Board-approved rights issue, their loans will be applied towards the rights arising from the shares in which they have an interest.

Acknowledgment

On behalf of the Board, we would like to thank all shareholders, students, customers and business associates for their loyalty and support. We also wish to thank all management and staff for their contribution during a difficult period. And finally, we would like to convey our regrets to those members of the staff whose services had to be made redundant in the exercise to reorganise Spectra Training.



Dr John Lewis Schlederer
Chairman



Christopher Elmore Campbell
Group Managing Director and CEO

31 August 2016

108th ANNUAL DIRECTORS' REPORT

Your Directors present their report on Academies Australasia Group Limited (the Company) and its controlled entities (jointly the Group) for the year ended 30 June 2016.

DIRECTORS

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

Dr John Lewis Schlederer	
Christopher Elmore Campbell	
Chiang Meng Heng	
Gabriela Del Carmen Rodriguez Naranjo	
Gary William Cobbledick	Resigned 14 January 2016
Raphael Geminder	Resigned 24 September 2015
Bill Say Mui Foo	Appointed 1 July 2015

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

Details on the Directors and Company Secretary are set out on pages 8 to 9.

PRINCIPAL ACTIVITY

The principal activity of the Group during the financial year was the provision of training and education services.

CONSOLIDATED RESULT

Consolidated result

The consolidated loss of the Group for the financial year, after providing for income tax and eliminating non-controlling entity interests, amounted to \$4,312,000 (2015: profit \$173,000).

REVIEW OF OPERATIONS

A review of the operations of the Group during the financial year and the results of those operations is as follows:

- Revenue from operating activities decreased by 3% to \$54,985,000 (2015: \$56,755,000).
- Losses from ordinary activities before income tax, increased from \$388,000 to \$5,879,000.

Further details are provided under 'Significant Changes in State of Affairs' below.

Dividends Paid or Proposed

There were no dividends paid during the financial year

The Directors do not propose a dividend for the year ended 30 June 2016.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Revenue from operating activities decreased by 3% to \$54,985,000 (2015: \$56,755,000). While revenues of certain colleges grew significantly, this growth was offset by a few which had lower revenues. The big disappointment was Spectra Training where revenue declined by \$4,800,000 (39%) compared to FY15.

EBITDA for the Group for the year ended 30 June 2016, excluding unrealised gains and losses from the revaluation of investments, decreased from \$1,251,000 to a loss of (\$1,972,000). This EBITDA loss was mainly because of Spectra Training's EBITDA loss of (\$3,038,000).

The net assets of the Group decreased in the year by \$474,000 to \$25,088,000.

The Group has gone through a very challenging period. The main problem in the year was Spectra Training, which singularly led the Group into negative EBITDA. The Board believes that Spectra Training's decline has been arrested.

During the year, there were also significant one-off expenses that the Board does not expect to be repeated. In its announcement "Guidance for FY16 Trading Results" on 29 April 2016, the Group stated that EBITDA for the year ending 30 June 2016 was estimated to be a loss of \$1,450,000. The following items were identified and recognised since that announcement:

a. Further reduction in the value of the investment in Redhill Education Limited	763,000
b. Additional provision (due to better performance - in accordance with contracted terms) for the final tranche payment for the acquisition of Skills Training Australia	185,000
c. Relocations and Renovations	156,000
d. Re-estimation of future Employee Entitlements (Victoria)	121,000
e. Bad debts (Spectra Training)	120,000
f. Licensing and Registrations	87,000
g. Other (2%)	28,000

As forecast in the Group's announcement "Guidance for FY16 Trading Results" on 29 April 2016, Spectra Training's performance in the last quarter of the financial year to 30 June 2016, following its reorganisation, was substantially better than that for the first 3 quarters of the year. That last quarter showed an EBITDA loss of \$213,000 (9% better than forecast) compared to an average of \$942,000 loss for each of the first quarters.

The investment in Redhill Education Limited was written down to 85 cents a share (market value at 30 June 2016), incurring an unrealised loss of \$1,163,000 for the year.

FINANCIAL POSITION

The auditors have issued an unqualified opinion on the financial report (see page 51). However, their report has an 'Emphasis of Matter' ('EOM'). The need for the EOM arises from the net loss of \$4,312,000 for year to 30 June 2016 and current liabilities at 30 June 2016 being \$15,694,000 more than current assets. The latter situation occurs because all debt at 30 June 2016 is shown as current: at that date the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months.

The Group met all its payment obligations (principal and interest) to its bankers during the year. However, the Group also incurred operating losses, following which its bankers reviewed the Group's performance and

financial position and proposed variations to the facilities agreement. The required new facilities agreement was not received in time for finalisation prior to the year end. A new facility letter of offer dated 30 June 2016 has subsequently been received but it has not yet been executed.

The Board believes that it is appropriate that the Group's financial statements continue to be prepared on a 'Going Concern' basis. The following factors support this assumption:

- a. Positive cash flow for the year of \$1,040,000.
- b. Positive cash flow from operations for the year of \$1,102,000.
- c. Substantial cash holdings across the Group of \$8,068,000 of which \$6,997,000 million is required to be held in the TPS controlled accounts.
- d. Repayment of \$3,126,000 of bank debt during the year and servicing of all debt interest obligations.
- e. As at 30 June 2016, bank debt (excluding contingent facilities) had been reduced to \$12,302,000. Since that date it has been reduced to \$11,420,000. Annually, \$3,126,000 is amortised.
- f. Positive net assets of \$25,088,000.
- g. Support of majority shareholders through short-term loans extended to the Group during the year. See 'Shareholders Loans' below.
- h. Non-core assets in excess of \$2,000,000 are available to reduce the level of debt.
- i. In the latter part of FY16, significant efforts were made to rationalise the cost structures of the business. As a result, more than \$4,000,000 will be saved annually.
- j. Included in net current liabilities are tuition fees paid in advance, of \$14,708,000. This is not an amount payable in the ordinary course of business. It will be recognised as income as tuition is delivered.

ISSUE OF SHARES

On 16 November 2015, Academies Australasia Group Limited issued 13,299,495 new fully paid ordinary shares in a fully subscribed renounceable rights issue, raising \$3,971,000.

SHAREHOLDERS' LOANS

In August 2015, the Board resolved that the Company make a Rights Issue to shareholders to raise \$4,000,000 in cash.

The Directors, at that time, together had an interest in 65.98% of the total of 62,063,484 shares in the Company. Each of the Directors having an interest in the shares of the Company committed to subscribe for their share of the Rights Issue, meaning that \$2,639,200 was committed. These same Directors extended loans to the Company to the total of \$2,639,200 on the basis that these loans would be converted to their respective shares of the Rights Issue. The Directors' loan amounts, which were subsequently converted to shares in the rights issue, were as follows:

Directors' with interests in shares as at 25 August 2015	Shares	Percentage of Total	Loan to Company
Dr John Lewis Schlederer	1,450,000	2.34%	\$93,600
Chiang Meng Heng	25,291,886	40.75%	\$1,630,000
Christopher Elmore Campbell	7,777,777	12.53%	\$501,200
Gabriela del Carmen Rodriguez Naranjo	25,000	0.04%	\$1,600
Gary William Cobbledick	926,645	1.49%	\$59,600
Raphael Geminder	1,473,209	2.37%	\$94,800
Gary William Cobbledick and Raphael Geminder	4,006,396	6.46%	\$258,400
	40,950,913	65.98%	\$2,639,200

Each of the Directors' loans was made to the Company on or before 25 August 2015. The purpose of the loans was primarily to meet the second tranche payment for the acquisition of Skills Training Australia, amounting to \$2,402,000, which was made on 31 August 2015. The funds of \$2,639,200 loaned by Directors were applied to meet this payment. Surplus funds were taken to working capital.

In March 2016, two Directors, Messrs. Chiang Meng Heng and Christopher Elmore Campbell, extended short-term loans of \$1,000,000 and \$500,000 million respectively to the Group. Together, they have relevant interests exceeding 50% of the shares in the Company. Messrs Heng and Campbell have advised the Board that they are prepared to allow their loans to continue until 31 January 2017. They also advised that in the event of a Board-approved rights issue, their loans will be applied towards the rights arising from the shares in which they have an interest.

EVENTS AFTER THE REPORTING DATE

On 23 August 2016, 800,000 new ordinary shares in the Company were issued to the vendor of Skills Training Australia. This represented settlement of \$200,000 of the final payment due to the vendor. See Note 25 to the accounts on page 45 for further details.

The Group has an offer dated 30 June 2016 to extend its bank facilities. This offer has not yet been executed.

There were 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 Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Chairman's and the Group Managing Director's Report (Pages 2 and 3) addresses the Group's outlook.

ENVIRONMENTAL ISSUES

The Group's operations are not subject to any significant environmental legislation.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company's constitution 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 paid an insurance premium amounting to \$13,000 in respect of a directors and officers liability insurance policy covering the directors' and officers' liabilities as officers of the Company.

OPTIONS

There are no options over unissued share capital.

ROUNDING OF AMOUNTS

The Director's report is presented in Australian Dollars and rounded to the nearest thousand dollars in accordance with Instrument 2016/191

INFORMATION ON DIRECTORS AND COMPANY SECRETARY as at the date of this report

Dr John Lewis Schlederer Independent, Non-executive, Director, appointed 21 August 2009 (7 years), Chairman since 1 January 2014 (2 years 7 months).
Qualifications B.Sc. (Hons), Grad. Diploma, PhD.
Experience More than 20 years teaching experience at University of New South Wales and TAFE NSW and many years in business.
Interest in Shares 3,760,000 shares (4.94%)
Special Responsibilities Chairman of the Board, Chairman of the Remuneration Committee. Chairman of the Audit and Risk Committee until 16 July 2015.
Directorships held in other listed entities None

Christopher Elmore Campbell Group Managing Director and Chief Executive Officer, appointed 1 July 1996 (20 years 2 months).
Qualifications B.Soc.Sci. (Hons), FFin, FAICD, FCIS, FSCA.
Experience Experience in mergers and acquisitions and more than 15 years' experience in managing educational institutions. Previous positions include senior appointments with the Monetary Authority of Singapore and an international bank in Australia.
Interest in Shares Director, Asia Society Australia.
Special Responsibilities 9,160,970 shares (12.03%)
Directorships held in other listed entities Member of the Remuneration Committee.
None.

Chiang Meng Heng Non-executive Director, appointed 15 February 2000 (16 years 6 months).
Executive Chairman since April 2016 of Academies Australasia College Pte Limited (a wholly-owned subsidiary company operating in Singapore) – see page 3 of the Corporate Governance Statement (available on the Company's website: www.academies.edu.au).
Qualifications BBA (Hons).
Experience Previous positions include Treasurer, Citibank NA, Singapore and Hong Kong; Adviser & Head, Banking Supervision, Monetary Authority of Singapore; President, Asia Commercial Bank Ltd; Managing Director, First Capital Corporation Ltd; Executive Director, Far East Organization and Group Managing Director, Lim Kah Ngam Ltd.
Interest in Shares 30,711,576 shares (40.32%)
Special Responsibilities Member of the Audit and Risk Committee and Remuneration Committee.
Directorships held in other listed entities Far East Orchard Limited (listed on the Singapore Exchange). Macquarie International Infrastructure Fund Limited (until 26 October 2015 when it was delisted from the Singapore Exchange).

Gabriela Del Carmen Rodriguez Naranjo Executive Director, appointed 21 October 2013 (2 year 10 months).
Alternate Director, May 2011 to December 2013 (3 years 7 months),
(Alternate to Neville Thomas Cleary (Retired 31 December 2013)).
Qualifications B. Comp.Sci, B.Sci. Sys. Eng, MAICD.
Experience More than 15 years' experience managing educational institutions,
including experience in acquisitions, marketing, regulatory
compliance, curriculum development and lecturing.
Interest in Shares 48,329 shares (0.06%)
Special Responsibilities None.
Directorships held in other listed entities None

Bill Say Mui Foo Independent, non-executive Director, appointed 1 July 2015 (1 year 2 months)
Qualifications BBA, MBA, Hon.D.Com.
Experience Chairman of the Singapore Business Circle, a chapter of the Trans-Tasman Business Circle; Member of the National University of Singapore President's Advancement and Advisory Council; Member of the James Cook University Futures Committee.
Previously: Vice Chairman of ANZ South & South East Asia; Chief Executive Officer of ANZ Singapore; South East Asia Head of Investment Banking for Schrodgers International Merchant Bankers Ltd and President Director of Schrodgers Indonesia.
Interest in Shares Nil
Special Responsibilities Chairman of the Audit and Risk Committee (appointed 17 July 2015).
Directorships held in other listed entities Mewah International Inc. (Listed on the Singapore Exchange).

COMPANY SECRETARY

Chris Grundy Appointed 17 July 2015.
Qualifications B.Com, GradDipAppCorpGov, FCA, FCIS, GAICD.
Experience 7 years as Company Secretary in ASX-listed companies.
Other Responsibilities Chief Financial Officer.

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 2016 financial year were:

<u>Director</u>	<u>Directors' Meetings</u>		<u>Audit and Risk Committee</u>		<u>Remuneration Committee</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Dr John Lewis Schlederer	10	10	5	5	5	5
Christopher Elmore Campbell	10	10	-	-	5	5
Chiang Meng Heng	10	7	5	4	5	5
Gabriela Del Carmen Rodriguez Naranjo	10	10	-	-	-	-
Gary William Cobbledick	8	7	-	-	-	-
Raphael Geminder	3	2	-	-	-	-
Bill Say Mui Foo	10	9	5	5	-	-

A - Number of meetings held during the time the Director held office during the period

B - Number of meetings attended

INFORMATION ON SENIOR EXECUTIVES

Christopher Elmore Campbell	Group Managing Director and Chief Executive Officer Other details as per Information on Directors – page 8.
Gabriela Del Carmen Rodriguez Naranjo	Executive Director Other details as per Information on Directors – page 9.
Melinda Burgess	Director, Strategic Operations (since 15 July 2016)
Qualifications	B.A, GradDipAgedServMgmt, DipQualityAuditing.
Experience	20 years' experience in the VET sector, managing operations in RTOs. Founder, in 1999, and Chief Executive Officer of Skills Training Australia until 15 July 2016. Previous experience includes Case Management, Aged and Community Care Management and Aged Care Accreditation. Member of Victorian State Committee of ACPET since 2012.
Other Responsibilities	
Chris Grundy	Chief Financial Officer (Appointed 21 May 2015)
Qualifications	B.Com, GradDipAppCorpGov, FCA, FCIS, GAICD.
Experience	More than 25 years in commerce, including roles in general management, finance, operations, sales and marketing in Australia and abroad. Industry experience includes professional services and regulated operations. 7 years as Company Secretary in ASX-listed companies. Company Secretary - Academies Australasia Group Limited.
Other Responsibilities	
Ingeborg Loon	Director, International
Qualifications	BA, B.Economics & Japanese Studies, GradDipBusAdmin.
Experience	25 years' senior management experience in the internationalisation and export of education at universities and in the vocational sector in Australia. Advocacy and policy development for ACPET. Board Member of IEAA.
Other Responsibilities	
Esther Teo	Chief Executive Officer of Academies Australasia Polytechnic
Qualifications	MBA, GradDipMgmt.
Experience	30 years' senior management in Singapore and Australia, including roles in retail, information technology, strategic business planning and supply chain management. 10 years of tertiary teaching, curriculum design and education management.

REMUNERATION REPORT – AUDITED

Remuneration Policies

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Group Managing Director and Chief Executive Officer, Senior Executives and the 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 set to attract appropriately qualified and experienced directors and senior executives.

During the year, the members of the Remuneration Committee were Dr John Lewis Schlederer, Chiang Meng Heng and Christopher Elmore Campbell.

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

There are no options over unissued capital. The Company does not have an employee share option plan. All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed.

Non-executive Directors' remuneration comprises fixed fees. 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 Group.

Directors and Senior Executives

a. Directors and Senior Executives

Details of the Directors and Senior Executives holding office at any time during the financial year are set out on pages 8 to 10.

b. Directors and Senior Executives Remuneration

30 June 2016 Directors and Senior Executives	Short-term employee benefits			Post- employment benefits	Total
	Cash, salary and commissions	Bonus	Non-monetary benefits	Superannuation	
	\$000s	\$000s	\$000s	\$000s	
Dr John Lewis Schlederer	28	-	-	35	63
Christopher Elmore Campbell	371	-	-	79	450
Chiang Meng Heng	32	-	-	3	35
Bill Say Mui Foo	24	-	-	2	26
Gabriela Del Carmen Rodriguez Naranjo	182	-	-	17	199
Gary William Cobbledick ^a	238	-	-	18	256
Chris Grundy	215	-	-	35	250
Esther Teo	134	-	-	39	173
Ingeborg Loon	162	-	-	15	177
	1,386	-	-	243	1,629

30 June 2015 Directors and Senior Executives	Short-term employee benefits			Post- employment benefits	Total
	Cash, salary and commissions	PIP ^d /bonus	Non-monetary benefits	Superannuation	
	\$000s	\$000s	\$000s	\$000s	
Dr John Lewis Schlederer	28	-	-	35	63
Christopher Elmore Campbell	371	-	-	79	450
Chiang Meng Heng	32	-	-	3	35
Gabriela Del Carmen Rodriguez Naranjo	148	19	-	16	183
Gary William Cobbledick ^a	247 ^c	-	-	20	267
Raphael Geminder ^b	43 ^c	-	-	-	43
Chris Grundy (from 21 May 2015)	-	-	-	29	29
Esther Teo	102	28	-	32	162
Ingeborg Loon	150	-	-	14	164
	1,121	47	-	228	1,396

^a Senior executive from 1 June 2014 to 14 January 2016, Director from 23 October 2014 to 14 January 2016.

^b Director from 23 October 2014 to 24 September 2015.

^c Included within remuneration paid to Directors in the year ended 30 June 2015 is an amount paid by the Group on behalf of Gary William Cobbledick and Raphael Geminder totalling \$84,000. This amount was paid in settlement of an obligation of the two Directors arising from their prior ownership of Spectra Training. The amount has been apportioned according to their proportional ownership of Spectra Training. The amount will not be reimbursed.

^d PIP is the Performance Incentive Plan which was closed on 22 October 2013.

None of the remuneration paid to any Director or Senior Executive is tied to any specific performance condition.

c. Options issued as part of remuneration for the year ended 30 June 2016

The Group has no employee share plan. No options were granted as part of remuneration.

d. Employment contracts of Senior Executives

The employment conditions of all Senior Executives are formalised in written contracts of employment. Generally, the employment contracts stipulate a one-month notice 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 has a fixed term contract of employment which expires on 31 December 2017.

PROCEEDINGS ON BEHALF OF THE COMPANY

The Company and its subsidiary Academies Australasia Institute were successful in their claim for costs against Keith Franklin Kennett in the Supreme Court of NSW and the matter is now settled.

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

AUDITORS' INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2016 appears on page 14 and forms part of the Directors' Report for the year ended 30 June 2016.

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 by the external auditors, Pilot Partners, 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 auditors' 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.

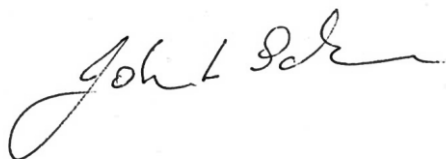
The following fees were paid or payable for non-audit services to the external auditors during the year ended 30 June 2016:

- | | |
|---------------------|-----------|
| • Taxation services | \$66,000 |
| • Other services | \$278,000 |

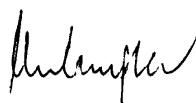
CORPORATE GOVERNANCE STATEMENT

The Company's Corporate Governance Statement and its Key to Disclosures, Corporate Governance Council Principles and Recommendations (ASX Appendix 4G) are provided to ASX together with the Company's Annual Report. The Corporate Governance Statement is on the Company's website: www.academies.edu.au

Signed in accordance with a resolution of the Board of Directors pursuant to section 298 (2)(a) of the Corporations Act 2001.



Dr John Lewis Schlederer
Director



Christopher Elmore Campbell
Director

31 August 2016



PILOT PARTNERS
Chartered Accountants
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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 2016 there have been:

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

PILOT PARTNERS
Chartered Accountants

DANIEL GILL
Partner

Signed on 31st August 2016

Level 10
1 Eagle Street
Brisbane Qld 4000

ACADEMIES AUSTRALASIA GROUP LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Note	2016 \$000s	2015 \$000s
Revenue from continuing operations	2	54,985	56,755
Student acquisition and teaching costs	3	(25,359)	(24,167)
Gross profit		29,626	32,588
Personnel expenses	3	(14,421)	(17,185)
Premises expenses	3	(8,429)	(7,589)
Other administration expenses	3	(5,156)	(5,895)
		1,620	1,919
Re-structure and re-organisation costs	3	(3,592)	(668)
		(1,972)	1,251
Unrealised gain/(loss) on investments	2	(1,163)	606
Other income	2	-	109
Earnings before interest, depreciation and amortisation		(3,135)	1,966
Depreciation and amortisation expense		(1,882)	(1,519)
Interest paid		(1,089)	(916)
Interest received		227	81
(Loss)/profit before income tax		(5,879)	(388)
Income tax expense	4	1,567	561
(Loss)/profit for the year		(4,312)	173
Other comprehensive income:			
Exchange differences on translating foreign controlled entities		(20)	35
Other comprehensive income for the year, net of tax		(20)	35
Total comprehensive income for the year		(4,332)	208
Profit attributable to:			
Owners of the parent entity		(4,226)	(3)
Non-controlling interests		(86)	176
		(4,312)	173
Total comprehensive income attributable to:			
Owners of the parent entity		(4,246)	32
Non-controlling interests		(86)	176
		(4,332)	208
Earnings per share (cents per share)			
Basic	7	(6.0)	0.0
Dividends per share (cents)	8	0.0	4.5

The accompanying notes form part of these financial statements.

ACADEMIES AUSTRALASIA GROUP LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$000s	2015 \$000s
Current Assets			
Cash and cash equivalents	9	8,068	7,078
Trade and other receivables	10	8,731	8,884
Other current assets	11	4,563	4,096
Investments	12	2,060	3,224
Total Current Assets		23,422	23,282
Non-Current Assets			
Trade and other receivables	10	3,018	4,553
Plant and equipment	14	6,293	6,790
Deferred tax assets	15	3,459	1,820
Intangible assets	16	32,924	33,097
Total Non-Current Assets		45,694	46,260
Total Assets		69,116	69,542
Current Liabilities			
Trade and other payables	17	23,152	20,354
Current tax liabilities	4	61	-
Borrowings	18	13,975	5,653
Provisions	19	1,928	1,750
Total Current Liabilities		39,116	27,757
Non-Current Liabilities			
Trade and other payables	17	-	1,300
Borrowings	18	-	9,825
Provisions	19	4,912	5,098
Total Non-Current Liabilities		4,912	16,223
Total Liabilities		44,028	43,980
Net Assets		25,088	25,562
Equity			
Share capital	20a	36,504	32,553
Accumulated losses		(11,603)	(7,377)
Foreign currency translation reserve		73	93
Non-controlling interests		114	313
Total Equity		25,088	25,562

The accompanying notes form part of these financial statements.

ACADEMIES AUSTRALASIA GROUP LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2016

	Ordinary Shares	Other Equity	Retained Profits	Reserves	Non - Controlling Interests	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Year ended 30 June 2015	32,533	-	(7,377)	93	313	25,562
Profit for the period	-	-	(4,226)	-	(86)	(4,312)
Exchange differences on translating foreign operations	-	-	-	(20)	-	(20)
Total comprehensive income for the year	-	-	(4,226)	(20)	(86)	(4,332)
Issue share capital	3,971	-	-	-	-	3,971
Dividend paid	-	-	-	-	(113)	(113)
Balance at 30 June 2016	36,504	-	(11,603)	73	114	25,088
Year ended 30 June 2015						
Balance at 1 July 2014 restated	25,446	7,087	(4,581)	58	203	28,213
Profit for the period	-	-	(3)	-	176	173
Exchange differences on translating foreign operations	-	-	-	35	-	35
Total comprehensive income for the year	-	-	(3)	35	176	208
Shares contracted to be issued (Acquisition of subsidiary)	7,087	(7,087)	-	-	-	-
Acquisition of subsidiaries	-	-	-	-	15	15
Dividend paid	-	-	(2,793)	-	(81)	(2,874)
Balance at 30 June 2015	32,533	-	(7,377)	93	313	25,562

The accompanying notes form part of these financial statements.

ACADEMIES AUSTRALASIA GROUP LIMITED
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 June 2016

	Note	2016 \$000s	2015 \$000s
Cash Flows from Operating Activities			
Receipts from customers		56,985	60,047
Payments to suppliers and employees		(55,468)	(57,751)
Interest received		227	190
Finance costs		(1,069)	(916)
Income taxes paid		427	(932)
		<hr/>	<hr/>
Net cash provided by (used in) operating activities	24a	1,102	638
Cash Flows from Investing Activities			
Proceeds from sale of plant & equipment		12	32
Purchase of plant & equipment		(981)	(649)
Net cash on acquisition/disposal of subsidiaries		(1,464)	(9,366)
		<hr/>	<hr/>
Net cash provided by (used in) investing activities		(2,433)	(9,983)
Cash Flows from Financing Activities			
Dividends paid		(47)	(2,874)
Proceeds from borrowings		1,573	10,476
Repayment of borrowings		(3,126)	(1,472)
Proceeds from share placement		3,971	-
		<hr/>	<hr/>
Net cash provided by (used in) financing activities		2,371	6,130
Net increase in cash held		1,040	(3,215)
Net cash at the beginning of the financial year		4,618	7,833
		<hr/>	<hr/>
Net cash at the end of the financial year	9	5,658	4,618
		<hr/>	<hr/>

The accompanying notes form part of these financial statements.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This 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 (AASB) and the *Corporations Act 2001*.

The financial report includes the consolidated financial statements of Academies Australasia Group Limited and controlled entities (the Group). Details of the parent entity can be found in Note 28 on page 48.

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 which 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.

New, revised or amending Accounting Standards and Interpretations

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period.

Except for the early-adoption of AASB 15 '*Revenue from Contracts with Customers*', referenced below, no other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been adopted early.

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard include:

- recognition of a right-to-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-to-use assets in line with AASB 116: 'Property, Plant and Equipment' in profit or loss and unwinding of the liability in principal and interest components;
- variable lease payments that depend on an index or a rate are included in the initial measurement of the lease liability using the index or rate at the commencement date;
- by applying a practical expedient, a lessee is permitted to elect not to separate non-lease components and instead account for all components as a lease; and
- additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Bases of preparation

Except as noted below in respect of the early-adoption of AASB 15, the accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on the accruals basis and is based on historical costs, modified by the revaluation of certain non-current assets, financial assets and financial liabilities, for which the fair value basis of accounting has been applied. The financial report is presented in Australian Dollars and rounded to the nearest thousand dollars in accordance with Instrument 2016/191.

Early-adoption of AASB 15 ‘Revenue from Contracts with Customers’ and re-statement of comparative amounts

With effect from 1 July 2014, the consolidated entity has early-adopted the new Accounting Standard AASB 15 ‘*Revenue from Contracts with Customers*’. This Standard applies to annual reporting periods beginning on or after 1 January 2017 and it may be applied to annual reporting periods beginning on or after 1 January 2005.

The consolidated entity, in adopting the new AASB 15, changed its basis for recognising income in accordance with that standard. The change follows analysis of the Group’s contracts with its customers, the rights and obligations emanating from those contracts and the possible risks associated with receiving payments for revenue generating contractual services provided by the Group. In making its assessments, the Group formed its opinion for the appropriate accounting based on its business judgement and careful consideration of the customer contract.

Each contract was broken down into performance obligations and revenue to be recognised as those performance obligations are completed.

Revenue is recognised over the period of tuition, upon completion of specific performance obligations of each of the contracts. No revenue is recognised prior to a student commencing the tuition phase of delivery. As all student contracts are for the provision of tuition, income for tuition is recognised as training is provided. Payment terms vary from contract to contract but in most cases cash is received prior to the performance obligation being delivered. Foreign students in particular are required to pay some level of tuition in advance. Monies received in advance are held as unearned income and recognised as revenue as the performance obligations are satisfied. Generally, the Group’s obligations in respect of refunds cease after the course commences. Some refunds are issued after commencement in hardship cases or where visas have been refused.

The adoption of the requirements of AASB 15 provides more relevant information concerning the delivery of services and the transfer of risks in providing the services.

Early-adopting the new Standard had no effect upon the Cash Flow Statements.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounting Policies

a. Basis of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the parent (Academies Australasia Group Limited) and all its subsidiaries (including any structured entities). Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 13 on page 35.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Equity interests in a subsidiary not attributable, directly or indirectly, to the Group are presented as “non-controlling interests”. The Group initially recognises non-controlling interests that are present ownership interests in subsidiaries and are entitled to a proportionate share of the subsidiary’s net assets on liquidation at either fair value or at the non-controlling interests’ proportionate share of the subsidiary’s net assets. Subsequent to initial recognition, non-controlling interests are attributed their share of profit or loss and each component of other comprehensive income. Non-controlling interests are shown separately within the equity section of the statement of financial position and statement of comprehensive income.

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 acquisition method, unless it is a combination involving entities or businesses under common control. The business combination is 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).

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. 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.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Refer to Note 10 on page 33 for further information on the determination of impairment losses.

e. 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.

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.

e. Financial instruments

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.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. They are categorised as a Level 1 in the fair value hierarchy of the Accounting Standards (market inputs are used to determine fair value).

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 15: 'Revenue'. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 15.

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.

Interest borrowing costs

Interest payable costs are recognised as expenses in the period in which they are incurred.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f. 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 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.

Operating lease rental payments are recognised on a straight line basis over the lease term and contingent rental payments are recognised in the period when incurred.

Assets receivable under lease incentives are recognised when the Group has a contractual right to them and they can be reliably estimated. Where applicable, specific categories of assets received under such arrangements are recognised in the appropriate asset heading and accounted for in accordance with the Group's applicable accounting policy for that asset.

Lease incentives under operating leases are recognised as a liability and amortised as a reduction in rent on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

g. Plant and equipment

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.

h. 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 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 statement of comprehensive income.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Goodwill

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

- the consideration transferred
- any non-controlling interest; and
- 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 assets (*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 determined 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.

j. Intangible assets

Intangible assets include course development costs and other intangible assets.

Course development costs are capitalised where they can be related to the development of an identifiable and separable resource and which yields particular streams of future economic benefits. They are only capitalised when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. These capitalised costs are amortised over their useful lives starting from the time the development of a particular resource is complete and available for use.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k. 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 statement of comprehensive income.

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.

l. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

m. Provisions and employee benefits

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Provision is made for the Group'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.

n. Issued capital

Ordinary shares are classified as equity, and are recognised at the fair value of the consideration received by the company. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Revenue

Revenue derived from the provision of education services is measured at the fair value of consideration received or receivable to the extent that economic benefits will flow to the Group and the revenue can be reliably measured. A number of criteria must be met before revenue is recognised. No revenue is recognised prior to a student commencing the tuition phase of delivery. Revenue is recognised over the duration of each agreement to provide education services.

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.

Rental revenue is recognised on a straight line accrual basis over the term of the lease.

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

p. 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.

q. 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 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.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. 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.

Foreign 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.

s. Earnings per share

Basic earnings per share are calculated as net profit attributable to members of the parent divided by the weighted average number of ordinary shares.

t. Comparative figures

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

u. 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 16 on page 38. No impairment has been recognised in respect of goodwill for the year ended 30 June 2016.

Key Estimates – Revenue

The extent to which performance obligations have been satisfied in respect of student revenue is estimated as per the revenue policy (Note 1(o) on page 27).

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v. Segment reporting

An operating segment is a component of an entity

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)
- whose operating results are regularly reviewed by the entity's Board to make decisions about resources to be allocated to the segment and assess its performance
- for which discrete financial information is available

The Company has only one operating segment, Education.

w. Going concern

These financial statements have been prepared adopting the going concern assumption, which contemplates the orderly realisation of assets and payment of liabilities in the ordinary course of business. The financial statements show that:

- the Group had a net loss of \$4,312,000 (2015: profit \$173,000) for the year ended 30 June 2016;
- the Group had net current liabilities of \$15,694,000 (2015: net current liabilities of \$4,475,000) as at 30 June 2016;
- the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months as at 30 June 2016 and, as a result, has classified all bank facilities as current liabilities as at that date.

These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The appropriateness of this assumption is dependent upon:

- the continued support of the Group's bankers;
- the continued support of the Group's majority shareholders who have extended loans to the Group;
- the ability of the Group to return to profitable trading;
- the orderly realisation of selected assets in the ordinary course of business at values at least equal to their book values.

The Board is currently satisfied that these issues have been addressed and that there are reasonable grounds to assume that the Company will meet its future financial obligations as and when they fall due.

The following factors support this assumption:

- Positive cash flow for the year of \$1,040,000.
- Positive cash flow from operations for the year of \$1,102,000.
- Substantial cash holdings across the Group of \$8,068,000 of which \$6,997,000 million is required to be held in the TPS controlled accounts.
- Repayment of \$3,126,000 of bank debt during the year and servicing of all debt interest obligations.
- As at 30 June 2016, bank debt (excluding contingent facilities) had been reduced to \$12,302,000. Since that date it has been reduced to \$11,420,000. Annually, \$3,126,000 is amortised.
- Positive net assets of \$25,088,000.
- Support of majority shareholders through short-term loans extended to the Group during the year.
- Non-core assets in excess of \$2,000,000 are available to reduce the level of debt.
- In the latter part of the year, significant efforts were made to rationalise the cost structures of the business. As a result, more than \$4,000,000 will be saved annually.
- Included in net current liabilities are tuition fees paid in advance, of \$14,708,000. This is not an amount payable in the ordinary course of business. It will be recognised as income as tuition is delivered.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016 \$000s	2015 \$000s
2. REVENUE		
Operating activities		
- Services revenue	<u>54,985</u>	<u>56,755</u>
Non-operating activities		
- Rent received	<u>-</u>	<u>109</u>
Interest received	<u>227</u>	<u>81</u>
Total Revenue	<u>55,212</u>	<u>56,945</u>
Revaluation of investment (Note 12)	<u>(1,163)</u>	<u>606</u>
3. PROFIT FOR THE YEAR		
Student acquisition and teaching costs		
- Teaching costs	16,152	15,699
- Agency commission	7,612	7,423
- Teaching materials	1,595	1,045
	<u>25,359</u>	<u>24,167</u>
Personnel costs		
- Wages and Salaries	11,352	14,199
- Superannuation	1,483	1,379
- Payroll Tax	881	857
- Other	705	750
	<u>14,421</u>	<u>17,185</u>
Premises		
- Rental	7,301	6,042
- Electricity	353	305
- Cleaning	432	383
- Other	343	357
- Expansion	-	502
	<u>8,429</u>	<u>7,589</u>
Other administration expenses		
- Other administration expenses	5,033	5,437
- Bad debts	123	308
- Acquisition (of subsidiaries) costs	-	150
	<u>5,156</u>	<u>5,895</u>
Restructure and re-organisation costs		
- Costs of personnel now retrenched, including redundancies	2,392	436
- Costs of premises now vacated, including make-good payments	404	-
- Costs of marketing and other projects discontinued or cancelled	796	232
	<u>3,592</u>	<u>668</u>

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	Note	2016 \$000s	2015 \$000s
4. INCOME TAX EXPENSES			
a. The components of tax expense comprise:			
Current tax		(72)	(116)
Deferred tax		<u>1,639</u>	<u>677</u>
		<u>1,567</u>	<u>561</u>
b. The prima facie tax on profit from ordinary activities before tax is reconciled to income tax as follows:			
Tax payable on (loss)/profit from ordinary activities before tax at 30%		(1,764)	(116)
Add/(less):			
Tax effect of:			
Permanent differences		50	(104)
Assumption of tax balances of controlled entities		<u>147</u>	<u>(341)</u>
Income tax expense attributable to the entity		<u>(1,567)</u>	<u>(561)</u>
c. Current tax payable for the year reconciles as follows:			
Opening provision		(399)	297
Add: Current year provision		62	215
Less: Over provision previous year		13	(99)
Add: Tax balance subsidiary acquired		-	120
Less: Tax paid		<u>385</u>	<u>(932)</u>
Closing provision	11	<u>61</u>	<u>(399)</u>

5. EXECUTIVE DIRECTORS AND OTHER SENIOR EXECUTIVES COMPENSATION

- a. Details of Executive Directors and other Senior Executives has been set out in Information on Directors and in Information on Senior Executives on pages 8 to 10.
- b. Remuneration for Senior Executives has been included in the Remuneration Report section of the Directors' Report.
- c. **Shareholdings**

Number of shares in the Company held by Executive Directors, Senior Executives and parties related to them:

Shareholdings: Executive Directors and Senior Executives	Balance 1 July 2015	Purchased (i)	Sold (i)	Rights Issue (ii)	Balance 30 June 2016
Christopher Elmore Campbell	7,777,777	808,483	(1,113,386)	1,688,096	9,160,970
Gabriela Rodriguez Naranjo	25,000	17,972	-	5,357	48,329
Chris Grundy	-	33,333	-	-	33,333

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

(ii) Shares taken up from Rights Issue 16 November 2015.

As at 1 July 2015, Gary William Cobbleddick had an interest in 4,933,041 shares. His interests were allotted 684,227 shares in the Rights Issue. He resigned as a Director on 14 January 2016.

On 15 July 2016 Melinda Burgess became a Senior Executive. As at 30 June 2016, she held 11,936 shares. On 23 August 2016, her holding increased by 800,000 shares – see Note 25 on page 45.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

6. AUDITORS' REMUNERATION	2016 \$000s	2015 \$000s
Remuneration of the auditors of the parent entity for:		
- Auditing and reviewing the financial report	180	193
- Taxation services	66	72
- Due diligence and other services	278	33
	524	332
Remuneration of other auditors of subsidiaries for:		
- Auditing and reviewing the financial report	33	35
- Taxation services	2	8
- Other services	1	9
	36	52

7. EARNINGS PER SHARE

Basic (cents per share)	(6.0)	0.0
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Weighted average number of ordinary shares used in calculation of basic earnings per share	70,312,078	61,538,998
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- a. The earnings amount used was \$4,226,000 (2015: loss \$3,000), being loss on ordinary activities after tax attributable to owners of the parent entity.

8. DIVIDENDS	2016 \$000s	2015 \$000s
Distributions recognised		
Year ended 30 June 2016 interim ordinary dividend of 0 cents per share, fully franked, (2015: 1.5 cents fully franked)	-	931
Year ended 30 June 2015 final ordinary dividend of 3.0 cents per share, fully franked, paid in 2016 (2014 3.0 cents fully franked paid in 2015)	-	1,862
	-	2,793
a. Balance of franking account at year end adjusted for franking credits arising from payment of income tax	3,020	2,891

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016 \$000s	2015 \$000s
9. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	8,068	7,078

The balance on the overdraft account is \$2,410,000 (2015: \$2,460,000) (Note 18). The net cash position is \$5,658,000 (2015: \$4,618,000)

Included in the above amounts are tuition fees held in Tuition Protection Scheme (TPS) accounts in Australia. In 2012 the Education Services for Overseas Student Act 2000 (“ESOS Act”) was amended to provide additional protection for international students studying in Australia. With effect from 1 July 2013, the Group is required to maintain, in Australia, separate bank accounts (TPS accounts) for prepaid fees received from international students prior to commencement of their course. Once the students commence their course, the funds may be transferred from the TPS accounts to operating cash reserves. At all times, the Group must ensure that there are sufficient funds in the TPS accounts to repay any prepaid tuition fees to international students who have not yet commenced their course. Fees paid by students who have commenced their course are deposited directly to operating cash reserves. All fees received, whether deposited to TPS or Group cash reserves are initially accounted for as unearned income, being subject to the Group’s revenue recognition policy.

As at 30 June 2016, the Group held \$6,997,000 (2015: \$5,283,000) in TPS accounts.

	2016 \$000s	2015 \$000s
10. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	4,043	4,987
Receivable from the sale of Premier Fasteners	937	937
Lease incentives	304	304
Other receivables	3,447	2,656
	8,731	8,884
NON-CURRENT		
Receivable from the sale of Premier Fasteners	938	1,876
Lease incentives	2,080	2,677
	3,018	4,553
TOTAL		
Trade receivables	4,043	4,987
Receivable from the sale of Premier Fasteners	1,875	2,813
Lease incentives	2,384	2,981
Other receivables	3,447	2,656
	11,749	13,437

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016 \$000s	2015 \$000s
10. TRADE AND OTHER RECEIVABLES (continued)		
a. The ageing analysis of trade receivables is as follows:		
0 -30 days	1,360	2,417
31- 60 days – not impaired *	747	609
61- 90 days – not impaired *	312	440
Over 90 days – not impaired *	1,624	1,521
	4,043	4,987

- * 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 Group has an exposure to credit risk in Singapore and Australia given the Group’s operations in those countries. For the Financial Year to June 2016, there is no amount included in trade and other receivables in respect of the business operations in Singapore. All other receivables of the Group are exposures in Australia.
- c. The receivable from the sale of Premier Fasteners is over 2 years in accordance with the terms of the contract for the sale.

	2016 \$000s	2015 \$000s
11. OTHER ASSETS		
CURRENT		
Prepayments and accrued income	3,857	3,225
Security deposits	706	472
Current tax asset	-	399
	4,563	4,096

12. INVESTMENTS

CURRENT		
Shares in Listed Corporations	2,060	3,224
	2,060	3,224

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

13. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned/Controlled (%)	
		2016	2015
Academies Australasia Group Limited (Ultimate Parent Entity)			
Subsidiaries (controlled directly or indirectly)			
ACA Investment Holdings Pte. Limited	Singapore	100	100
Academies Australasia (Management) Pty Limited	Australia	100	100
Academies Australasia College Pte. Limited	Singapore	100	100
Academies Australasia Institute Pty Limited	Australia	100	100
Academies Australasia Polytechnic Pty Limited	Australia	100	100
Academies Australasia Pty Limited	Australia	100	100
Academy of English Pty Limited	Australia	100	100
AKG Investment Holdings Pty Limited	Australia	100	100
AKG2 Investment Holdings Pty Limited	Australia	100	100
AKG3 Investment Holdings Pty Limited	Australia	100	100
AKG4 Investment Holdings Pty Limited	Australia	100	100
AKG5 Investment Holdings Pty Limited	Australia	100	100
AKG6 Investment Holdings Pty Limited	Australia	100	100
AKG7 Investment Holdings Pty Limited	Australia	100	100
AMI Education Pty Limited	Australia	100	100
Australian College of Technology 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 Trades Institute Pty Limited	Australia	100	100
Benchmark Resources Pty Limited T/A Benchmark College	Australia	100	100
Centre for Australian Education Pte. Limited	Singapore	100	100
Clarendon Business College Pty Limited	Australia	100	100
DFL Education (Qld) Pty Limited T/A Brisbane School of Hairdressing, Gold Coast School of Hairdressing, Brisbane School of Beauty and Brisbane School of Barbering	Australia	100	100
Discover English Pty Limited	Australia	100	100
International College of Capoeira Pty Limited T/A College of Sports & Fitness	Australia	51	51
Humagement Pty Limited T/A Print Training Australia	Australia	100	100
Kreate Pty Limited T/A RuralBiz Training	Australia	51	51
Language Links International Pty Limited	Australia	75	75
Live. Laugh. Learn. Pty Limited	Australia	100	100
Newco CLB Training & Development Pty Limited as trustee for the CLB Unit Trust T/A Spectra Training	Australia	100	100
Skilled Placements Pty Limited	Australia	100	100
Supreme Business College Pty Limited	Australia	100	100
Transformations – Pathways to Competence and Developing Excellence Pty Limited T/A Skills Training Australia	Australia	100	100
Vostro Institute of Training Australia Pty Limited	Australia	100	100

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016	2015
	\$000s	\$000s
14. PLANT AND EQUIPMENT		
Plant and equipment		
At cost	5,492	5,307
Accumulated depreciation	<u>(3,585)</u>	<u>(3,053)</u>
	1,907	2,254
Leasehold improvements		
At cost	7,181	6,695
Accumulated amortisation	<u>(2,858)</u>	<u>(2,285)</u>
	4,323	4,410
Leased plant and equipment		
Capitalised leased assets	215	215
Accumulated depreciation	<u>(152)</u>	<u>(89)</u>
	63	126
Total plant & equipment	<u>6,293</u>	<u>6,790</u>

	Plant and equipment	Leasehold improvements	Leased plant and equipment	Total
	\$000s	\$000s	\$000s	\$000s
Year ended 30 June 2016				
Balance at the beginning of the year	2,254	4,410	126	6,790
Additions	315	756	-	1,071
Acquisitions	-	-	-	-
Transfers	-	-	-	-
Disposals	(12)	-	-	(12)
Depreciation expense	(652)	(845)	(63)	(1,560)
Net foreign currency difference arising on translation of financial statements of foreign operations	2	2	-	4
Carrying amount at the end of the year	<u>1,907</u>	<u>4,323</u>	<u>63</u>	<u>6,293</u>

Year ended 30 June 2015

Balance at the beginning of the year	2,306	4,116	215	6,637
Additions	516	516	-	1,032
Acquisitions	100	184	-	284
Transfers	(82)	82	-	-
Disposals	(130)	-	-	(130)
Depreciation expense	(465)	(492)	(89)	(1,046)
Net foreign currency difference arising on translation of financial statements of foreign operations	9	4	-	13
Carrying amount at the end of the year	<u>2,254</u>	<u>4,410</u>	<u>126</u>	<u>6,790</u>

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

15. DEFERRED TAX ASSETS / LIABILITIES

	2016 \$000s	2015 \$000s
Future income tax benefit (liability)	<u>3,459</u>	<u>1,820</u>

The future income tax benefits is made up of the following estimated tax benefits:

Temporary differences:

-deferred tax assets	3,881	3,261
-deferred tax liabilities	(1,219)	(1,592)

Tax losses:

-operating losses	797	151
	<u>3,459</u>	<u>1,820</u>

	Opening Balance \$000s	Charged To Income \$000s	Closing Balance \$000s
Deferred Tax Assets			
Provisions	627	130	757
Unearned income	2,335	101	2,436
Other	299	389	688
	<u>3,261</u>	<u>620</u>	<u>3,881</u>
Deferred Tax Liabilities			
Plant & equipment	(270)	62	(208)
Investments	(868)	349	(519)
Prepayments and other	(454)	(38)	(492)
	<u>(1,592)</u>	<u>373</u>	<u>(1,219)</u>
Losses	<u>151</u>	<u>646</u>	<u>797</u>
Total	<u>1,820</u>	<u>1,639</u>	<u>3,459</u>

	2016 \$000s	2015 \$000s
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Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1(q) occur:

Tax losses:

-operating losses	<u>524</u>	<u>524</u>
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ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

16. INTANGIBLE ASSETS	2016 \$000s	2015 \$000s
Goodwill at cost	32,666	32,663
Accumulated impairment losses	(382)	(382)
Net carrying value	32,284	32,281
Course development costs	1,751	1,590
Accumulated amortisation	(1,168)	(843)
Net carrying value	583	747
Other at cost	57	69
	32,924	33,097

	Goodwill \$000s	Course Development Costs \$000s	Other \$000s	Total \$000s
Year ended 30 June 2016				
Balance at the beginning of the year	32,281	747	69	33,097
Foreign exchange Academies Australasia College	3	-	-	3
Rebranding costs amortisation	-	-	(12)	(12)
Course development costs acquisition	-	158	-	158
Course development costs amortisation	-	(322)	-	(322)
Balance at the end of the year	32,284	583	57	32,924

Year ended 30 June 2015				
Balance at the beginning of the year	27,432	1,188	150	28,770
Acquisition of Vostro Institute of Training	90	-	(5)	85
Acquisition of RuralBiz Training	36	-	-	36
Acquisition of Spectra Training	167	(22)	(69)	76
Acquisition of Language Links International	139	-	-	139
Acquisition Skills Training Australia	4,408	-	-	4,408
Foreign exchange Academies Australasia College	9	-	-	9
Rebranding costs amortisation	-	-	(7)	(7)
Course development costs acquisition	-	54	-	54
Course development costs amortisation	-	(473)	-	(473)
Balance at the end of the year	32,281	747	69	33,097

The recoverable amount of each cash-generating unit is determined based on value in use calculations based upon 5 year forecasting. The model includes a sensitivity analysis allowing for a range of growth rates. The following assumptions were used in the value in use calculations:

	Growth rate	Discount rate	Terminal Multiple
Education segment	5%	10%	2.5

The growth rate is a long-term average growth rate.

The discount rate used reflects entity and market specific factors

Assuming that the Group achieves its budget for the year to 30 June 2017 (FY17), impairment would be triggered if: the discount rate were to exceed 22%; or the growth rate were to be minus 8%; or the terminal value were to be less than 0.3. Impairment would also be triggered in FY17 if the Group does not achieve certain minimum cash flows which are significantly more than those achieved in the year to 30 June 2016 (FY16). The minimum cash flows depend upon:

- The benefits of the cost savings and restructurings implemented in FY16 being maintained into future financial years;
- The significant non-recurring costs and losses incurred in FY16 not recurring; and
- The Group not having negative revenue growth.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016	2015
	\$000s	\$000s
17. TRADE AND OTHER PAYABLES		
CURRENT		
<u>Unsecured Liabilities</u>		
Trade payables	1,913	1,872
Tuition fees in advance	14,708	11,939
Sundry payables and accrued expenses	5,384	4,043
	<u>22,005</u>	17,854
Payable to the vendor of STA (Note 25)	1,147	2,500
	<u>23,152</u>	20,354
NON-CURRENT		
<u>Unsecured Liabilities</u>		
Payable to the vendor of STA	-	1,300
TOTAL		
Trade payables	1,913	1,872
Tuition fees in advance	14,708	11,939
Sundry payables and accrued expenses	5,384	4,043
Payable to the vendors of STA	1,147	3,800
	<u>23,152</u>	21,654

18. BORROWINGS

CURRENT

Secured Liabilities – Interest Bearing

Bank bills	18a	9,790	3,087
Overdraft	18a	2,410	2,460
Lease purchase agreements	18a	102	106
		<u>12,302</u>	5,653

Unsecured Liabilities – Interest Bearing

Director's loans	18a	1,533	-
Other loans	18a	73	-
		<u>1,606</u>	-

Unsecured Liabilities – Non - Interest Bearing

Other loans	18a	67	-
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TOTAL CURRENT

13,975 5,653

NON-CURRENT

Secured Liabilities – Interest Bearing

Bank bills	18a	-	9,737
Lease purchase agreements	18a	-	88
		<u>-</u>	9,825

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	Note	2016 \$000s	2015 \$000s
18. BORROWINGS (continued)			
a. Total current and non-current secured liabilities:			
Bank bills	27	9,790	12,824
Overdraft	27	2,410	2,460
Lease purchase agreements	21, 27	102	194
		12,302	15,478
b. Total current and non-current unsecured liabilities:			
Director's loans	27	1,606	-
Other loans	27	67	-
		1,673	-
c. The carrying amounts of non-current assets pledged as security are:			
Floating charge over assets		42,816	41,182
Plant and equipment		63	125
		42,879	41,307

d. 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).

e. The lease purchase borrowings are additionally secured on the leased asset. The leases are due for repayment in 2017.

The major bank facilities comprise Bank overdraft, Cash Advance Facilities and Bank Guarantees

Bank overdraft facilities are arranged with the general terms and conditions being set and agreed annually. Interest rates are variable and subject to adjustment.

The Group met all its payment obligations (principal and interest) to its bankers during the year. However, the Group also incurred operating losses, following which its bankers reviewed the Group's performance and financial position and proposed variations to the facilities agreement. The required new facilities agreement was not received in time for finalisation prior to the year end. A new facility letter of offer dated 30 June 2016 has subsequently been received but it has not yet been executed.

All bank debt at 30 June 2016 is shown as current: at that date the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months.

The Group's utilisation of bank facilities as at 30 June 2016 is shown in Note 24b on page 44.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016 \$000s	2015 \$000s
19. PROVISIONS		
CURRENT		
Employee entitlements	1,370	1,191
Lease incentives	558	559
	1,928	1,750
NON-CURRENT		
Employee entitlements	1,001	914
Lease incentives	3,911	4,184
	4,912	5,098
TOTAL		
Employee entitlements	2,371	2,105
Lease incentives	4,469	4,743
	6,840	6,848

20. SHARE CAPITAL

	2016 Share number	2016 \$000s	2015 Share number	2015 \$000s
a. Issued Share Capital				
Ordinary shares fully paid	75,362,979	\$36,504	62,063,484	\$32,533
Ordinary share capital				
Balance at the beginning of the financial year	62,063,484	\$32,533	56,157,234	\$25,446
Ordinary shares issued on 23 July 2014 on acquisition of Spectra Training – 1 st tranche	-	-	4,406,250	\$5,287
Ordinary shares issued on 1 October 2014 on acquisition of Spectra Training – 2 nd tranche	-	-	1,500,000	\$1,800
Rights Issue on 16 November 2015	13,299,495	\$3,971	-	-
Balance at the end of the financial year	75,362,979	\$36,504	62,063,484	\$32,533

On 23 August 2016, 800,000 new ordinary shares in the Company were issued. See Note 25 on page 45.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

20. SHARE CAPITAL (continued)

i. 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.

ii. Capital Management.

Management controls the capital of the Group in order to maintain an acceptable 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 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.

	Note	2016 \$000s	2015 \$000s
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21. LEASING COMMITMENTS

Lease purchase commitments

Payable – minimum lease payments

Not later than one year		109	99
Later than one year but not later than five years		-	109
Minimum lease payments		109	208
Less future finance charges		(7)	(14)
Present value of minimum lease payments	18a	102	194

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 Group.

Operating Lease commitments

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

	2016 \$000s	2015 \$000s
Not later than one year	7,613	6,417
Later than one year but not later than five years	19,195	13,463
Later than five years	19,355	15,809
	46,163	35,689

The Group leases property under operating leases expiring from 1 year to 15 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. During the year, the Group acquired a number of new leases. Lease incentives have been recognised in accordance with the Group's accounting policies.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

22. CONTINGENT LIABILITIES

Contingent Liabilities

Corporate Guarantee

There is a corporate guarantee between wholly-owned Group companies as security for bank facilities in effect during the year. This guarantee does not currently include:

Academies Australasia College Pte. Limited
Centre for Australian Education Pte. Limited
DFL Education (Qld) Pty Limited
Kreate Pty Limited
Language Links International Pty Limited
Humanagement Pty Limited
International College of Capoeira Pty Limited

Bank Guarantees

As at 30 June 2016, bank guarantees issued on behalf of the Group amounted to \$3,445,000. In the last executed facility agreement with the Group's bankers dated 11 February 2015, the guarantee facility limit was \$3,700,000. The Group has an offer to extend its financial arrangements dated 30 June 2016. This offer has not yet been executed.

23. SEGMENT REPORTING

Business segments

The Company has determined that it has only one operating segment, education.

Geographical information

The Group operates in Australia and Singapore. The revenues and non-current assets of the Group for the year ended 30 June 2016 are as follows:

Geographic Location	\$000s	A\$000s
Revenues from External Customers	50,498	4,714
Non-current assets	45,228	466

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

	2016	2015
	\$000s	\$000s
24. CASH FLOW INFORMATION		
a. Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	(4,312)	173
Non-cash flows in profit (loss)		
Amortisation	1,167	965
Depreciation	715	554
Net (profit)/loss on disposal of plant and equipment	-	(4)
Write-downs to recoverable amounts	123	308
Unrealised loss/(gain) on investments	1,163	(606)
Unrealised foreign exchange movement	(27)	12
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	418	611
(Increase)/decrease in other current assets	(866)	(1,057)
(Increase)/decrease in investments	-	-
(Increase)/decrease in intangibles	(26)	27
(Increase)/decrease in deferred tax assets	(1,639)	(677)
Increase/(decrease) in trade and other payables	3,934	1,689
Increase/(decrease) in tax payables	460	(816)
Increase/(decrease) in provisions	(8)	(541)
Cash flow from operations	<u>1,102</u>	<u>638</u>

b. Borrowing arrangements with banks

Total Facilities

Cash advance facilities available as at 30 June 2015 (i)	14,472	14,472
Amounts repaid during the year ended 30 June 2016	(3,034)	-
Amount utilised	<u>(9,790)</u>	<u>(12,824)</u>
	<u>1,648</u>	<u>1,648</u>
Overdraft facility available as at 30 June 2015 (i)	2,500	2,500
Amount utilised	<u>(2,410)</u>	<u>(2,460)</u>
	<u>90</u>	<u>40</u>

(i) Facility limits are based upon the position at the start of the year in accordance with the last executed facility agreement with the Group's bankers dated 11 February 2015 and adjusted for subsequent repayments

Further details on bank borrowings are provided in Note 18 on page 39

The Group has an offer to extend its financial arrangements dated 30 June 2016. This offer has not yet been executed.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

25. EVENTS AFTER THE BALANCE SHEET DATE

All debt at 30 June 2016 is shown as current: at that date the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months. The Group has an offer to extend its financial arrangements dated 30 June 2016. This offer has not yet been executed.

On 23 August 2016, the Company issued 800,000 new fully-paid ordinary shares in respect of an agreement with the vendor of Skills Training Australia, for the third tranche payment ('the Final Payment') to comprise:

- the issue of 800,000 new AKG shares, representing settlement of \$200,000 of the Final Payment; and
- 60% of the Final Payment (less \$200,000) to be paid by 28 February 2017; and
- the balance of the Final Payment to be paid by 30 June 2017.

There were 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 Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

26. RELATED PARTY TRANSACTIONS

Directors' transactions with the Company and the Group

Details of Directors' remuneration are set out in the Remuneration Report on page 11. Directors are reimbursed for expenses incurred by them on behalf of the Group.

Directors' loans

From 25 August to 16 November 2015, all Directors having an interest in shares in the Company provided loans to the Company amounting to \$2,639,200 in total. For details see page 6. Interest on the loans paid to these Directors during the financial year amounted to \$45,000.

In September 2015 the shareholders of International College of Capoeira Pty Limited, a 51% owned subsidiary company of the Company, extended loans totalling \$150,000 to the subsidiary. The minority shareholders, Messrs Julio Chavez and Andre Cerutti, who are directors of the subsidiary, each extended loans of \$36,750. Interest on the loans paid to these Directors during the financial year amounted to \$4,000.

Commencing 12 March 2016 and to the date of this report, two Directors, Messrs Chiang Meng Heng and Christopher Campbell, provided loans to the Company amounting to \$1,000,000 and \$500,000 respectively. For details see page 7. Interest on the loans accrued and payable to these Directors during the financial year amounted to \$33,000.

All the loans by Directors noted above incur interest at the prevailing ANZ Bank rate applicable to the Company's overdraft facility.

Other loans of \$67,000 disclosed in Note 18(b) comprise dividends payable as at 30 June 2016 to a director of Kreate Pty Limited, a 51% owned subsidiary of the Company. The director is also the non-controlling shareholder of that subsidiary. No interest is accrued or payable on this loan.

Directors' and specified executives' relevant interests in shares

Details of Directors' relevant interests in shares are set out in the Directors' Report on pages 8 and 9.

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

26. RELATED PARTY TRANSACTIONS (continued)

Other related party transactions

Transactions between the Company and controlled entities comprise loans, management fees and interest and are eliminated on consolidation.

27. 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 operations.

i. Treasury Risk Management

Senior management meets 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 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 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 Group had not hedged foreign currency transactions as at 30 June 2016. Senior management continues to evaluate this risk on an ongoing basis.

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

Interest rate risk

The 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:

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

27. FINANCIAL INSTRUMENTS (continued)

	Note	Weighted average interest rate	Floating interest rate \$000s	Fixed interest 1 year or less \$000s	maturing in: 1 to 5 years \$000s	Non- Interest bearing \$000s	Total \$000s
Year ended 30 June 2016							
<i>Financial assets</i>							
Cash and cash equivalents	9	2.86%	8,068	-	-	-	8,068
Trade and other receivables	10		-	-	-	11,749	11,749
			<u>8,068</u>	<u>-</u>	<u>-</u>	<u>11,749</u>	<u>19,817</u>
<i>Financial liabilities</i>							
Trade and other payables	17		-	-	-	23,152	23,152
Bank bills	18	3.43%	-	9,790	-	-	9,790
Overdraft		7.09%	-	2,410	-	-	2,410
Lease purchase agreements	18	5.19%	-	102	-	-	102
Director's loans	18		-	1,533	-	-	1,533
Other loans	18		-	73	-	67	140
			<u>-</u>	<u>13,908</u>	<u>-</u>	<u>23,219</u>	<u>37,127</u>
Year ended 30 June 2015							
<i>Financial assets</i>							
Cash and cash equivalents	9	1.18%	7,078	-	-	-	7,078
Trade and other receivables	10		-	-	-	13,437	13,437
			<u>7,078</u>	<u>-</u>	<u>-</u>	<u>13,437</u>	<u>20,515</u>
<i>Financial liabilities</i>							
Trade and other payables	17		-	-	-	20,354	20,354
Bank bills	18	5.75%	-	3,087	9,737	-	12,824
Overdraft		7.17%	-	2,460	-	-	2,460
Lease purchase agreements	18	5.46%	-	106	88	-	194
			<u>-</u>	<u>5,653</u>	<u>9,825</u>	<u>20,354</u>	<u>35,832</u>

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

27. FINANCIAL INSTRUMENTS (continued)

- ii. Net fair values of financial assets and liabilities

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

- iii. In addition, the Group holds investments recognised at fair value of \$2,060,000 (2015: \$3,224,000). The basis for fair value is disclosed in Note 1.

- iv. 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
	\$	\$
2016		
+/- 2% in interest rates	(462)	(462)

28. PARENT INFORMATION

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

	2016	2015
	\$000s	\$000s
STATEMENT OF FINANCIAL POSITION		
Assets		
Current assets	29,959	23,641
Non-current assets	5,217	4,963
Total Assets	35,176	28,603
Liabilities		
Current Liabilities	2,433	233
Non-current liabilities	732	647
Total Liabilities	3,165	880
Equity		
Share capital	36,504	32,534
Retained earnings	(4,493)	(4,811)
Total Equity	32,011	27,723
STATEMENT OF COMPREHENSIVE INCOME		
Total profit	318	3,672
Total comprehensive income	318	3,672

ACADEMIES AUSTRALASIA GROUP LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2016

29. COMPANY DETAILS

The registered office and principal place of business of Academies Australasia Group Limited is:

Level 6, 505 George Street
Sydney NSW 2000
Australia

Principal places of business of the Group:

NEW SOUTH WALES

**Academies Australasia Institute
Academy of English
Australian College of Technology
Australian International High School
Clarendon Business College
Supreme Business College**
Level 6, 505 George Street
Sydney, NSW 2000

Benchmark College
140 Henry Street, Penrith, NSW 2750

College of Sports & Fitness
12 Wentworth Avenue, Darlinghurst, NSW 2010

RuralBiz Training
46 Wingewarra Street, Dubbo, NSW 2830

QUEENSLAND

**Brisbane School of Hairdressing
Brisbane School of Beauty
Brisbane School of Barbering**
Queen Adelaide Building
90-112 Queen Street Mall
Brisbane, QLD 4000

Gold Coast School of Hairdressing
Shop 103, Pivotal Point Commercial,
50 Marine Parade
Southport, QLD 4215

VICTORIA

Academies Australasia Polytechnic
Level 7, 628 Bourke Street
Melbourne, VIC 3000

Discover English
247 Collins Street, Melbourne, VIC 3000

Spectra Training
100 Dorcas Street, Melbourne, VIC 3205

Vostro Institute
Level 15, 459 Little Collins Street,
Melbourne, VIC

Skills Training Australia
Level 2, 2 Capital City Boulevard
Knox Ozone, Wantirna, South VIC 3152

SOUTH AUSTRALIA

Print Training Australia
Unit 17, 169 Unley Road, Unley, SA 5061

WESTERN AUSTRALIA

Language Links
90 Beaufort Street, Perth, WA 6000

SINGAPORE

Academies Australasia College
45 Middle Road, Singapore 1889954

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

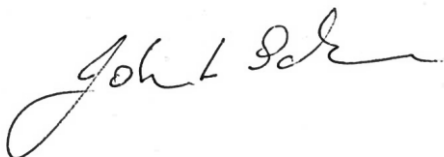
The Directors of the Company declare that:

1. the financial statements and notes, set out on pages 15 to 49, 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 2016 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. Without qualifying their opinion, the Directors draw attention to the facts set out in Note 1(w) on page 29 and in their 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 wholly-owned subsidiaries identified in Note 13 on page 35, but excluding those in Note 22 on page 43, have entered into a deed of cross guarantee under which the Company and its subsidiaries guarantee the debts of each other.

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.



Dr John Lewis Schlederer
Director



Christopher Elmore Campbell
Director

31 August 2016



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 its controlled entities (the consolidated group), which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year set out on pages 15 to 50.

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 its controlled entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated group's financial position as at 30 June 2016 and of its financial performance and its 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.

EMPHASIS OF MATTER

Without modifying our opinion, we draw attention to Note 1(w) in the financial report, which indicates that the Group incurred a net loss of \$4.312m during the year ended 30 June 2016, and as of that date, the Group's current liabilities exceed its current assets by \$15.694m. We also draw attention to the fact that the Group did not have an unconditional right to defer repayment of its bank facilities beyond 12 months as at 30 June 2016 and has consequently classified all bank facilities as current liabilities at that date.

The ability of the company to continue as a going concern is dependent upon the following:

- the continued support of the Group's bankers
- the continued support of the Group's majority shareholders who have extended loans to the Group
- the ability of the Group to return to profitable trading
- the orderly realisation of assets in the ordinary course of business at values at least equal to their book values

These conditions, along with the other matters set forth in Note 1(w), indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.



REPORT ON THE REMUNERATION REPORT

We have audited the Remuneration Report of Academies Australasia Group Limited included in the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.

PILOT PARTNERS
Chartered Accountants

DANIEL GILL
Partner

Signed on 31st August 2016

Level 10
1 Eagle Street
Brisbane Qld 4000

**ACADEMIES AUSTRALASIA GROUP LIMITED
AND CONTROLLED ENTITIES
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 29 August 2016 were:

<u>Shareholder</u>	<u>No. of Shares Held</u>	<u>%</u>
Mr Chiang Meng Heng ^a	30,711,576	40.32
Mr Christopher Elmore Campbell ^b	9,160,970	12.03
Jilcy Pty Ltd <Jilcy Super Fund A/C>	8,348,970	10.96
Raphael Geminder ^c	6,601,910	8.67
Gary William Cobbledick ^d	4,933,041	6.48
Eng Kim Low	4,588,939	6.03
DFL Holdings Pty Limited ^e	4,139,612	5.44

^a Includes 4,588,939 shares held by Eng Kim Low

^b Includes 8,348,970 shares held by Jilcy Pty Ltd <Jilcy Super Fund A/C> and 807,142 shares held by Bankura Pty Ltd <Campbell Family Trust A/C>

^c 4,006,396 held by BB&M Holdings Pty Limited and 2,595,514 held by Kin Group Pty Limited

^d 4,006,396 held by BB&M Holdings Pty Limited and 926,645 held by Stormont Pty Limited

^e 3,397,893 held by DFL Holdings Pty Limited and 741,719 held by ACN 166 970 565 Pty Ltd.

VOTING RIGHTS

Ordinary Shares

At 29 August 2016 there were 400 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 constitution, 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 29 AUGUST 2016

	<u>Registered Name</u>	<u>No. Shares</u>	<u>%</u>
1	Mr Chiang Meng Heng	26,122,637	34.30
2	Jilcy Pty Ltd <Jilcy Super Fund A/C>	8,348,970	10.96
3	Eng Kim Low	4,588,939	6.03
4	BB&M Holdings Pty Limited	4,006,396	5.26
5	DFL Holdings Pty Limited	3,397,893	4.46
6	Citicorp Nominees Pty Limited	3,210,531	4.22
7	J&B Schlederer Pty Ltd <J&B Schlederer Super A/C>	3,060,000	4.02
8	Kin Group Pty Limited	2,595,514	3.41
9	JP Morgan Nominees Australia Limited	2,215,815	2.91
10	RTO Solutions Pty Limited	1,374,098	1.80
11	Sargoda Pty Ltd <Birdeep Family A/C>	1,100,000	1.44
12	BNP Paribas Noms Pty Ltd <DRP>	1,038,347	1.36
13	HSBC Customer Nominees (Australia) Limited	961,055	1.26
14	Stormont Pty Limited	926,645	1.22
15	Mrs Melinda Kaye Burgess	811,936	1.07
16	ACN 166 970 565 Pty Ltd	741,719	0.97
17	Schlederer Nominees Pty Limited <JLS Family A/C>	700,000	0.92
18	Mrs Gail Leslie Storey	634,335	0.83
19	Bankura Pty Ltd <Campbell Family Trust A/C>	578,000	0.76
20	Mr Daniel Hing Yuen Wong <Jehovah Jireh Family A/C>	427,631	0.56
		66,840,461	87.76

HOLDING RANGE (SHAREHOLDERS) AS AT 29 AUGUST 2016

<u>Range</u>	<u>No. Holders</u>	<u>Total No. Shares</u>	<u>%</u>
1 - 1,000	67	41,383	0.05
1,001 - 5,000	130	356,970	0.47
5,001 - 10,000	53	411,704	0.54
10,001 - 100,000	108	4,190,565	5.50
100,001 +	42	71,162,357	93.44
	400	76,162,979	100.00

UNMARKETABLE PARCELS AS AT 29 AUGUST 2016

	<u>Minimum Parcel Size</u>	<u>No. Holders</u>	<u>Units</u>
Minimum \$500 parcel at \$0.20 per unit	2,500	135	163,035

ORDINARY SHARES ON ISSUE SUBJECT TO VOLUNTARY ESCROW

Escrowed until 1 September 2016 1,500,000 Ordinary shares

There were 5,906,250 ordinary shares issued and escrowed in 2014 as part-consideration for the acquisition of Spectra Training. (See AKG's ASX announcements of 27 June, 24 July and 1 September 2014.)

4,406,250 of those shares, which were escrowed until 23 July 2016, have been released from escrow.

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

CORPORATE INFORMATION

DIRECTORS

Dr John Lewis Schlederer
Christopher Elmore Campbell
Chiang Meng Heng
Gabriela Del Carmen Rodriguez Naranjo
Bill Say Mui Foo

COMPANY SECRETARY

Chris Grundy

REGISTERED OFFICE

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

Telephone: (02) 9224 5555
Facsimile: (02) 9224 5550
Email: companysecretary@academies.edu.au

Web Site: www.academies.edu.au

SHARE REGISTRAR

Computershare Investor Services Pty Limited
GPO Box 2975 Melbourne, VIC 3001
Australia

Telephone: +61 (03) 9415 4000
Toll Free (Australia only) 1300 855 080

SECURITIES EXCHANGE

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

ASX Code: AKG

**ACADEMIES AUSTRALASIA GROUP LIMITED
AND CONTROLLED ENTITIES
GLOSSARY OF COMMON TERMS**

Academies Australasia Polytechnic	Academies Australasia Polytechnic Pty Limited
AASB	Australian Accounting Standards Board or a numbered Standard issued by it
Academies Australasia Institute	Academies Australasia Institute Pty Limited
ACPET	Australian Council for Private Education and Training
AKG	ASX code for Academies Australasia Group Limited – The Company
ASX	Australian Securities Exchange
Benchmark	Benchmark Resources Pty Limited - trading as Benchmark College
Board	The board of directors of Academies Australasia Group Limited
The Company	Academies Australasia Group Limited (ACN 000 003 725) - the parent company
College of Sports & Fitness	International College of Capoeira Pty Limited - trading as College of Sports & Fitness
Corporations Act	Corporations Act 2001 (Cth)
DFL	DFL Education (Qld) Pty Limited - trading as Brisbane School of Hairdressing, Gold Coast School of Hairdressing, Brisbane School of Beauty and Brisbane School of Barbering
Directors	Board directors of Academies Australasia Group Limited
Discover English	Discover English Pty Limited
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Earnings per share
FY16	Financial Year to 30 June 2016
FY17	Financial Year to 30 June 2017
Group	Academies Australasia Group Limited (the parent company) and all its subsidiaries
GST	Goods and Services Tax
IEAA	International Education Association of Australia
International College of Capoeira	International College of Capoeira Pty Limited - trading as College of Sports & Fitness
Language Links	Language Links International Pty Limited
Rights Issue	The Rights Issue concluded in November 2015, comprising an underwritten 3 for 14 Renounceable Issue. The shares were offered at 30 cents each. The issue was over-subscribed and raised \$4 million.
RTO	Registered Training Organisation
RuralBiz	Kreate Pty Limited – trading as RuralBiz Training
Shares	Fully paid ordinary shares in the Company
Skills Training Australia	Transformations – Pathways to Competence and Developing Excellence Pty Limited - trading as Skills Training Australia
Spectra Training	Newco CLB Training & Development Pty Limited as trustee for the CLB Unit Trust - trading as Spectra Training
TAFE	Technical and Further Education
TPS	Tuition Protection Scheme
VET	Vocational Education and Training
Vostro	Vostro Institute of Training Australia Pty Limited