ACADEMIES AUSTRALASIA
THE POSSIBILITIES ARE INFINITE

2008 CENTENARY YEAR
AUSTRALIA
SINGAPORE
www.academies.edu.au

20 August 2020

Market Announcements Platform
Australian Securities Exchange
(Via ASX Online)

PRELIMINARY FINAL RESULTS

In accordance with ASX Listing Rule 4.3A, Academies Australasia Group Limited (ASX: AKG) provides its Preliminary Final Report (Appendix 4E) for the year ended 30 June 2020 (FY20).

The Board is pleased to highlight:

i. an increase in Earnings before interest, tax, depreciation and amortization ('EBITDA') after adjustment for significant items compared to FY19, making FY20 another record performance;
ii. that the Company continues to be debt-free; and
iii. the declaration of a 1.365 cents per share dividend to take the total dividend for the year to 2.73 cents per share.

EBITDA after adjustment for significant items *($'000)*

	FY20	FY19	
EBITDA	**13,613**	13,530	
Premises outgoings related to prior years	**283**	(180)	
Redundancies, terminations and other one-off costs	**46**	136	
Income written off or refunded	**510**	812	
EBITDA after adjustment for significant items	**14,452**	14,298	**+1.1%**

[Note: a. 'EBITDA' and 'significant item' are not terms prescribed by the Australian Accounting Standards ('AAS'). The directors consider that EBITDA after adjustment for 'significant items' provides a better understanding of the underlying performance of the business.]

Stephanie Noble
Company Secretary

For further information *call Christopher Campbell on +61 2 9224 5555.*

Academies Australasia *has been operating for 112 years and listed on the Australian Securities Exchange for 43 years. The group comprises 18 separately licensed colleges operating in New South Wales, Queensland, South Australia, Victoria and Western Australia in Australia, and overseas in Singapore. The group offers a wide range of recognised courses at different levels – Certificate, Diploma, Advanced Diploma and Bachelor Degree. Over the years, Academies Australasia colleges have taught more than 100,000 students from 130 countries.*

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APPENDIX 4E: PRELIMINARY FINAL REPORT

1. Company details

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

Reporting Period: Financial year ended 30 June 2020 (FY20)
Previous Period: Financial year ended 30 June 2019 (FY19)

2. Results for announcement to the market

(Previous corresponding period numbers have been restated after application of the AASB 16 Leases standard and a voluntary change of policy in respect to trade receivables.)

					$'000
2.1	Revenue from ordinary activities *(see item 4.1)*	down	5%	to	62,638
2.2	Profit from ordinary activities before tax (*see item 4.4)*	down	19%	to	5,217
2.3	Profit from ordinary activities after tax (*see item 4.6*)	down	11%	to	3,961
2.4	Net profit for the period attributable to owners of the parent entity *(see item 4.11)*	down	16%	to	3,662
2.5	Earnings before interest, tax, depreciation and amortisation (EBITDA) after adjustment for significant items (*see item 3.1*)	up	1.1%	to	14,452

3. Commentary

3.1 EBITDA after adjustment for significant items (*$'000*)

Profit attributable to members of the parent entity	Reporting Period	Previous Period Adjusted	
EBITDA	13,613	13,530	
Premises outgoings related to prior years	283	(180)	
Redundancies, termination and other one-off costs	46	136	
Income written off or refunded	510	812	
EBITDA after adjustment for significant items	14,452	14,298	**+1.1%**

['EBITDA' and 'significant item' are not terms prescribed by the Australian Accounting Standards ('AAS'). The directors consider that EBITDA after adjustment for 'significant items' provides a better understanding of the underlying performance of the business.]

3.2 Application of AASB 16 Leases

$'000

	Reporting Period	Previous Period
Increase in depreciation expense	5,736	4,640
Increase in interest expense	1,566	1,262
Decrease in premises expense	(6,630)	(5,750)
Decrease in other income	155	147
Reduction in profit before tax	(827)	(299)
Decrease/increase in income tax expense	123	(63)
Reduction in profit after tax	(704)	(362)
Profit attributable to non-controlling interests	(10)	(4)
Profit attributable to members of the parent entity	(694)	(358)

The application of AASB 16 Leases from 1 July 2019 reduced profit from ordinary activities before tax by $528,000 ($827,000 minus $299,000). Without that application the fall would have been 10% instead of 19% (*see item 2.2*). Profit after tax would have been down 3% instead of 11% (*see item 2.3*).

3.3 COVID-19 Pandemic

About 80% of the Group's students (representing about 80% of revenue) are from overseas. The closing of Australia's borders since 20 March 2020 has been the main cause of the fall in revenue compared to FY19.
COVID-19 restrictions on people movement have also negatively affected the training of domestic students.
It is relevant to note that most of the Group's business is in New South Wales and Victoria – two states which have been most affected by the pandemic.
To minimise disruption arising from the restrictions imposed because of COVID-19, most courses were converted to on-line delivery from April 2020. COVID-safe plans incorporating features like social distancing, hygiene procedures, visitor registration and reporting have been established.
There is no clear view or estimate of the future impact of COVID-19 on the business of the Group at this time. It does not seem likely that the borders will open prior to 2021.
Certain companies in the Group qualified for a total of $2,175,000 under the first Australian Government Jobkeeper subsidy on 31 March 2020. Academies Australasia College qualified for a similar type of subsidy of $281,000 from the Singapore Government. The results also include rental assistance amounting to $347,000.

3.4 The voluntary change of accounting policy in respect to trade receivables had no impact on the profit and loss.

3.5 Revenue from services (*see item 4.12*) decreased by $6.36 million (10%) to $59.69 million. The main reason for the decrease is the closure of the borders following the COVID-19 pandemic

3.6 The Company has declared a fully franked dividend of 1.365 cents per share ($1,742,000).

3.7 The Group manages its business as a single cash generating unit. The colleges benefit from each other through the sharing of resources and services.

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4. Condensed consolidated income statement

		Reporting Period	Previous Period Restated
4.1	Revenue from ordinary activities *(see items 4.12 and 4.13)*	62,638	66,205
4.2	Expenses from ordinary activities (*see item 4.14)*	(55,724)	(58,285)
4.3	Finance costs	(1,697)	(1,513)
4.4	**Profit from ordinary activities before tax**	5,217	6,407
4.5	Income tax expense on ordinary activities	(1,256)	(1,964)
4.6	**Profit from ordinary activities after tax**	3,961	4,443
4.7	**Other comprehensive income**		
4.8	Exchange differences on translating foreign controlled entities	(48)	50
4.9	**Total comprehensive income**	3,913	4,493
4.10	**Profit attributable to non-controlling interest**	299	93
4.11	**Profit attributable to members of the parent entity**	3,662	4,350
4.12	Revenue from services	59,694	66,056
4.13	Other revenue		
	- Rental income	18	-
	- Government assistance	2,456	-
	- Rental assistance	347	-
	- Interest	123	149
4.14	Details of expenses		
	- Depreciation, amortisation and loss on disposal of assets	6,812	5,759
	- Student acquisition and teaching costs	27,408	29,191
	- Personnel expenses	14,173	14,067
	- Premises expenses	3,784	4,005
	- Other administration expenses	3,142	3,886
	- Restructure and non-recurring costs	395	1,377

$'000

5. Condensed consolidated balance sheet

		Reporting Period	Previous Period Restated
	Current assets		
5.1	Cash	16,904	14,996
5.2	Receivables	3,700	4,286
5.3	Other		
	- Prepayments	1,498	2,418
	- Other	1,050	512
5.4	**Total current assets**	**23,152**	**22,212**
	Non-current assets		
5.5	Plant and equipment	5,457	6,026
5.6	Right of use assets	35,602	23,015
5.7	Deferred tax assets	5,038	5,854
5.8	Intangibles	32,813	32,850
5.9	**Total non-current assets**	**78,910**	**67,745**
5.10	**Total assets**	**102,062**	**89,957**
	Current liabilities		
5.11	Tuition fees in advance (deferred income)	17,431	18,390
5.12	Trade and other payables	5,012	3,651
5.13	Current tax payable	-	534
5.14	Short-term lease liabilities	5,329	4,558
5.15	Short-term provisions	2,865	2,749
5.16	**Total current liabilities**	**30,637**	**29,882**
	Non-current liabilities		
5.17	Long-term lease liabilities	37,349	25,117
5.18	Long-term provisions	474	424
5.19	**Total non-current liabilities**	**37,823**	**25,541**
5.20	**Total liabilities**	**68,460**	**55,423**
5.21	**Net assets**	**33,602**	**34,534**
	Equity		
5.22	Share capital	42,066	42,066
5.23	Retained profits (accumulated losses)	(9,125)	(8,021)
5.24	Foreign currency translation reserve	70	118
5.25	Non-Controlling Interest	591	371
5.26	**Total equity**	**33,602**	**34,534**

$'000

6. Condensed consolidated cash flow statement

		Reporting Period	Previous Period Restated
	Cash flows from operating activities		
6.1	Receipts from customers	63,825	69,853
6.2	Payments to suppliers and employees	(48,056)	(52,072)
6.3	Interest received	123	149
6.4	Finance costs	(1,697)	(1,513)
6.5	Income taxes paid	(1,524)	(3,626)
6.6	**Net operating cash flows**	**12,671**	**12,791**
	Cash flows from investing activities		
6.7	Proceeds from sale of plant and equipment	-	2
6.8	Purchases of plant and equipment	(321)	(205)
6.9	Purchase of intangible assets	(176)	(75)
	Net investing cash flows	**(497)**	**(278)**
	Cash flows from financing activities		
6.10	Share buyback and cancellation	-	(1,449)
6.11	Dividends paid	(4,915)	(2,968)
6.12	Lease payments	(5,351)	(4,798)
6.13	Repayment of borrowings	-	(1,270)
6.14	**Net financing cash flows**	**(10,266)**	**(10,485)**
6.15	**Net increase in cash held**	**1,908**	**2,028**
6.16	Net cash at beginning of period	14,996	12,968
6.17	**Net cash at end of period**	**16,904**	**14,996**

6.18 **Non-cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows:

- None

6.19 **Reconciliation of cash**

		Reporting Period	Previous Period Restated
	Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		
	Cash (*see item 5.1*)	16,904	14,996
	Bank overdraft	-	-
6.20	Net cash on hand and at bank (*see item 6.17*)	16,904	14,996

7. Statement of retained earnings

$'000

		Reporting Period	Previous Period - Restated
7.1	Retained profits (accumulated losses) at the beginning of the financial period original	(8,021)	(7,088)
7.2	Impact of adoption of new accounting standard (*see item 12.1*)	-	(2,348)
7.3	Net profit attributable to members *(see item 4.11)*	3,662	4,350
7.4	Dividend paid	(4,766)	(2,935)
7.5	Retained profits (accumulated losses) at end of financial period	(9,125)	(8,021)

8. Dividends

A fully franked dividend of 2.37 cents per share ($3,024,000) was paid on 11 October 2019.

A fully franked dividend of 1.365 cents per share ($1,742,000) was paid on 26 March 2020.

The Company has declared a fully franked dividend of 1.365 cents per share ($1,742,000).

Dividend dates:

Ex dividend	17 September 2020
Record	18 September 2020
Payment	25 September 2020

There was no conduit foreign income during the Reporting Period.

9. Dividend reinvestment plans

No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

10. Net tangible Assets

Net tangible asset backing per ordinary share is based on 127,614,467 shares at both reporting dates.

	Reporting Period	Previous Period - Restated
After the application of AASB16 Leases	0.6 cents	1.3 cents
Before the application of AASB16 Leases	3.3 cents	3.4 cents

11. Associates and joint venture entities

No member of the Group held an interest in, or participated in the results of, a joint venture.

12. Other significant information

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

The Group has applied the new accounting standard AASB16 Leases from 1 July 2019.
Under AASB 16, the Group recognises right of use assets and lease liabilities.

The Group recognises a right of use asset and a lease liability at the commencement of the lease. The right of use asset is initially measured at cost less any lease incentives. The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term. The right of use asset is reviewed for any impairment.

The lease liability is initially measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates as at 1 July 2018.

The Group excludes short term leases with less than 12 months tenure and leases relating to low value assets from the above recognition, these lease payments are recognised as an expense on a straight line basis over the lease term.

The Group has applied the full retrospective restatement approach, under which all comparatives are restated, as well as the opening balance of the previous period. The comparative information at 30 June 2019 and 1 July 2018 is restated.

The impact from application of the new accounting standard AASB 16 Leases from 1 July 2019 on the profit and loss is noted in item 3.2 above.

The adjustments to the Consolidated Statement of Financial Position are as follows (*$'000*):

	30 June 2019	1 July 2018
Increase in Right of Use Assets - property	23,015	24,961
Increase in Lease Liabilities (Current)	(4,558)	(4,633)
Increase in Lease Liabilities (Non- Current)	(25,117)	(27,153)
Decrease of Lease Incentives Recognised	2,012	2,469
Increase in Deferred Tax Asset	1,949	2,008
Cumulative Impact on Retrospective Application of Standard to Opening Retained Earnings	2,706	2,348
Decrease in non-controlling interest	4	-
Increase in foreign currency translation reserve	(11)	-

Amounts recognised in the Consolidated Statement of Cash Flows *($'000)*:

	30 June 2019	1 July 2018
Cash flows from operating activities		
Reduction in receipts from customers	(155)	(147)
Reduction in payments to suppliers and employees	7,072	6,207
Increase in finance costs - interest	(1,566)	(1,262)
	5,351	4,798
Cash flows from financing activities		
Increase in repayment of lease liability	5,351	4,798

12.2 **CHANGES IN ACCOUNTING POLICY**

Trade receivables/unearned income and prepaid/accrued student acquisition costs

The Group had been recognising a trade receivable when an invoice was raised at course enrolment, and tuition fees remained unpaid. An equal and opposite amount was recognised under the 'Tuition fees in advance (deferred income) account'. There was a corresponding treatment for student acquisition costs: a student acquisition cost was accrued as a liability but because it was not due until the course commences, it was recognised as a prepaid asset. There was no net impact on net assets and no impact on profit until course commencement.

The Group reviewed and changed this policy on trade receivables. A trade receivable is now only recognised when an invoice is raised at course enrolment, the tuition fees remain unpaid and the amount is earned (course delivered). As a result, the unearned portion of the invoice amount is removed from the debtor as well as from the 'Tuition fees in advance (deferred income) account'. The accrued and corresponding prepaid student acquisition cost amounts have been removed.

This change, which took effect from 1 July 2019, facilitated a clearer position of the Group's trade receivables. The change in accounting policy resulted in the restatement of trade and other receivables, tuition fees in advance (deferred income), other assets and trade and other payables for 30 June 2019 and 1 July 2018. There is no impact on net assets or profit and loss. The Group believes that the change in the accounting policy is unlikely to affect the economic decisions of users of this financial report.

The restatement amounts are as follows (*$'000*):

	30 June 2019	1 July 2018
Decrease in trade receivables	(2,270)	(2,737)
Decrease in tuition fees in advance	2,270	2,737
Decrease in other current assets	(514)	(540)
Decrease in trade and other payables	514	540

13. Foreign entities

The Group owns 100% of ACA Investment Holdings Pte. Limited which owns 100% of Centre for Australian Education Pte. Limited and 100% of Academies Australasia College Pte. Limited. All these entities are incorporated in Singapore.

14. Commentary on results

14.1 **Earnings per security (EPS)**

	Reporting Period	Previous Period Restated
Basic EPS	2.87 cents	3.39 cents
Weighted average number of ordinary shares used in calculation of basic EPS.	127,614,467	128,215,561

The earnings amount used was $3,662,000 (2019 restated: $4,350,000), being profit on ordinary activities after tax attributable to members of the parent entity (*see item 4.11)*.

14.2 Returns to shareholders.

Fully franked dividends of 2.37cents and 1.365 cents were paid in October 2019 and March 2020 respectively *(see item 8).*

The Company has declared a fully franked dividend of 1.365 cents per share ($1,742,000).

14.3 Significant features of operating performance.
Please see items 3.1 to 3.7.

14.4 The Company has only one operating segment: Education.

14.5 Ratios.

	Reporting Period	Previous Period Restated
Profit before tax / revenue Consolidated profit from ordinary activities before tax *(see item 4.4)* as a percentage of revenue *(see item 4.1)*	8.33%	9.68%
Profit after tax / equity interests Consolidated net profit from ordinary activities after tax attributable to members of the parent entity *(see item 4.11)* as a percentage of equity at the end of the period *(see item 5.26)*	10.90%	12.60%

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

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

Stephanie Noble
Group Finance Manager

20 August 2020