



Prospectus

Australian Careers Network Limited

ACN 168 592 434

Second Replacement Prospectus for the initial public offering of up to 32 million ordinary shares in Australian Careers Network Limited at an Offer Price of \$1.70 per Share to raise up to \$54.4 million

The Offer is fully underwritten.

26 November 2014

Lead Manager and Underwriter

Important Information

Offer

The Offer contained in this Second Replacement Prospectus is an invitation to acquire fully paid ordinary shares in Australian Careers Network Limited ACN 168 592 434 (ACN or Company).

Second Replacement Prospectus

This Second Replacement Prospectus replaces a prospectus dated and lodged with ASIC on 20 October 2014, a replacement prospectus lodged with ASIC on 4 November 2014 and a supplementary prospectus lodged with ASIC on 12 November 2014. For the purposes of this document, this Second Replacement Prospectus will be referred to as either “**this Second Replacement Prospectus**” or “**this Prospectus**”.

This Second Replacement Prospectus has been issued to, amongst other matters:

- provide disclosure in relation to the revised Offer details, including the revised Offer Price and corresponding changes throughout the Prospectus;
- provide clarification in relation to the disclosures around potential reforms or changes that may be implemented by the Labor Opposition Government in Victoria if it wins the upcoming elections in Section 2;
- provide disclosure around the role of Prakash Charan and how the Company has sought to mitigate any loss that may arise as a result of Prakash’s exit from the business in Section 4;
- provide updated disclosure in relation to arrangements with the Chisholm Institute in Section 2; and
- pick up a few typographical errors in Section 2.

Lodgement and listing

This Prospectus is dated 26 November 2014 and was lodged with ASIC on that date.

This Prospectus expires 13 months after the date of this Prospectus (**Expiry Date**). No Shares will be issued on the basis of this Prospectus after the Expiry Date.

ACN has applied to ASX for admission to the Official List and for official quotation of the Shares on issue as at the date of this Prospectus and the Shares issued under the Offer.

Neither ASIC nor ASX take any responsibility for the contents of this Prospectus, or the merits of the investment to which this Prospectus relates.

Note to Applicants

This Prospectus does not provide investment advice. You should seek your own investment and/or financial advice in relation to the Offer. The Offer contained in this Prospectus does not take into account your investment objectives, financial situation and particular needs. It is important that you read this Prospectus carefully and in full before deciding to invest in ACN. In particular, in considering the prospects of ACN, you should consider the risk factors that could affect the financial performance of ACN in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your stockbroker, accountant or other professional financial adviser before deciding to invest.

Disclaimer

No person named in this Prospectus, nor any other person, guarantees the performance of ACN, the repayment of capital or the payment of a return on the Shares.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by ACN or the Directors.

Forward looking statements

This Prospectus contains forward looking statements, which are identified by words such as ‘may’, ‘could’, ‘believes’, ‘estimates’, ‘expects’, ‘aims’, ‘intends’ and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this Prospectus, are expected to take place. Such forward looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of ACN.

ACN cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward looking statements.

Forward looking statements should be read in conjunction with the risk factors set out in Section 4, the assumptions contained in the financial information set out in Section 5 and other information in this Prospectus.

Other than as set out in this Prospectus, and as otherwise required by law or the Listing Rules, the Company does not intend to update forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

Investment risks and assumptions

Before deciding to invest in the Company, it is important that you read the entire Prospectus and consider the risk factors that could affect the financial performance of the Company and the assumptions underlying the forecast financial information.

No overseas registration

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of Shares, in any jurisdiction outside Australia. The distribution of this Prospectus (including in electronic form) outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Prospectus may not be released or distributed in the United States. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. In particular, the Shares have not been, and will not be, registered under the US Securities Act of 1933, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the US Securities Act) unless the Shares are registered under the US Securities Act, or an exemption from the registration requirements of the US Securities Act is available.

Electronic Prospectus

This Prospectus (without an application form) may be viewed online at www.australiancareersnetwork.com.au. However, it cannot be used to apply for Shares. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. The Offer constituted by this Prospectus is available only to persons receiving this Prospectus in electronic form within Australia, Hong Kong, New Zealand and Singapore.

Persons having received a copy of this Prospectus in its electronic form may, during the Offer Period, obtain a paper copy of this Prospectus (free of charge within Australia) by contacting the ACN Share Offer Information Line on 1800 009 918 (from within Australia) or +61 1800 009 918 (from outside Australia). Applications for Shares may only be made on the Application Form attached to or accompanying this Prospectus. The Corporations Act prohibits any person from passing on to another person the Application Form unless it is attached to or accompanies a hard copy of the Prospectus or a complete and unaltered electronic copy of this Prospectus.

Exposure period

The Corporations Act prohibits ACN from processing Applications in the seven day period after the date of lodgement of this Prospectus (**Exposure Period**). The Exposure Period was extended by ASIC by up to a further seven days. The Exposure Period provides market participants with the opportunity to examine this Prospectus prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses this Prospectus or its contents or that the assets shown in them are owned by ACN.

Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Financial amounts

Money as expressed in this Prospectus is in Australian dollars unless otherwise indicated.

Glossary

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary in Section 12 of this Prospectus.

Privacy

By filling out an Application Form to apply for Shares, you are providing personal information to ACN through ACN's service provider, the Share Registry, which is contracted by ACN to manage Applications. ACN, and the Share Registry on its behalf, collect, hold and use that personal information in order to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

If you do not provide the information requested in the Application Form, ACN and the Share Registry may not be able to process or accept your Application.

Your personal information may also be used from time to time to inform you about other products and services offered by ACN which it considers may be of interest to you.

Your personal information may also be provided to ACN's agents and service providers on the basis that they deal with such information in accordance with ACN's privacy policy. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the Shareholder register;
- printers and other companies for the purpose of preparing and distributing statements and for handling mail;
- market research companies for the purpose of product development, product planning and analysing ACN's Shareholder base; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by (or on behalf of) ACN. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to, or telephoning, the Share Registry as follows:

Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235

Telephone: 1300 554 474

Fax: (02) 9287 0303

Email: registrars@linkmarketservices.com.au

If any of your information is not correct or has changed, you may require it to be corrected.

Contacts

If you require assistance to complete the Application Form, require additional copies of this Prospectus, or have any questions in relation to the Offer you should contact the Share Registry on 1800 009 918 (from within Australia) or +61 1800 009 918 (from outside Australia for Australian residents temporarily overseas), or go to the Company's website at www.australiancareersnetwork.com.au.

If you are uncertain as to whether the Company is a suitable investment for you, you should seek professional advice from your accountant, stockbroker or other professional financial adviser.

Key Offer Information

Key offer information

Important dates*	
Prospectus lodgement date	Wednesday, 26 November 2014
Offer Opens	Wednesday, 26 November 2014
Offer closes	Monday, 29 December 2014
Settlement date	Monday, 5 January 2015
Transfer and allotment of Shares	Tuesday, 6 January 2015
Expected despatch of Shareholder statements	Thursday, 8 January 2015
Expected commencement of trading of Shares on the ASX	Tuesday, 13 January 2015

Notes

- This timetable is indicative only and is subject to change. ACN reserves the right to vary the timetable without prior notice, including by closing the Offer before the scheduled Closing Date or by extending the Closing Date. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens.

Key offer statistics	
Offer Price	\$1.70 per Share
Number of Shares offered under the Offer	32,000,000
Number of Shares transferred under the Prospectus	23,176,471
Amount to be raised under the Offer ²	\$54.4 million
Total number of Shares on issue at Completion of the Offer ¹	83,719,362
Total number of Shares held by the Vendors following the Offer	26,712,419
Total number of Shares held by pre IPO cornerstone investors following the Offer	24,895,833
Indicative market capitalisation at the Offer Price ³	\$142.3 million
Pro forma net cash/(debt) at completion of the Offer	\$11.7 million
Enterprise value at the Issue Price ⁴	\$130.6 million
Pro forma FY2015 forecast EBITDA ⁵	\$25.5 million
Enterprise value/pro forma FY2015 forecast EBITDA	5.1x
Pro forma FY2015 forecast NPATA ⁶	\$18.35 million
Implied forecast dividend yield (based on pro forma FY2015 forecast NPATA) ⁷	8.4%
Implied forecast dividend yield (based on statutory FY2015 forecast NPATA) ⁸	6.2%

Notes

- The total number of Shares on issue following the Offer will be the sum of the number of the new Shares issued under the Offer (8,823,529 Shares) and the transfer of Shares under the Offer (23,176,471 Shares) assuming \$54.4 million is raised (32,000,000 Shares) and the number of Shares held by the Existing Shareholders (51,719,362 Shares).
- The amount to be raised under the Offer is \$54.4 million.
- Indicative market capitalisation is calculated as the total number of Shares on issue following the Offer assuming \$54.4 million is raised, multiplied by the Offer Price. The trading price may be different to the Offer Price and the actual market capitalisation may also be different.
- Enterprise value is calculated as the indicative market capitalisation at the Offer Price less pro forma net cash of \$11.7 million as calculated in Section 5.5.
- The forecast financial information set out in section 5.11 has been prepared on the basis of the best estimate assumptions set out in Section 5.11.1 and 5.11.2 and should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 5 including the sensitivities set out in Section 5.12 and the risk factors set out in section 4.
- Pro forma FY2015 forecast NPATA refers to Net Profit after Tax excluding the amortisation of acquired intangibles.
- The implied forecast dividend (based on pro forma FY2015 forecast NPATA) is calculated as the implied dividend per share assuming a payout ratio of 65% of pro forma FY2015 forecast NPATA divided by the Issue Price.

8 The implied forecast dividend (based on statutory FY2015 forecast NPATA) is calculated as the annualised implied dividend per share assuming a payout ratio of 65% of statutory FY2015 forecast NPATA for the period from listing to 30 June 2015 divided by the Issue Price

Summary Financial Performance

(\$'000)	FY2012 Pro Forma	FY2013 Pro Forma	FY2014 Pro Forma	FY2015 Pro Forma	FY2015 Statutory
Revenue ¹	13,665	28,701	33,381	56,135	47,917
EBITDA ²	5,822	15,039	15,652	25,477	22,477
EBITA ³	5,495	14,583	15,138	25,115	22,198
EBIT ⁴	5,495	14,583	15,138	23,010	20,619
NPAT ⁵	4,631	12,030	12,845	16,246	14,579
NPATA ⁶	4,631	12,030	12,845	18,351	16,158
EPS ⁷				\$0.22	\$0.19

Notes

1. A discussion on how Australian Careers Network Group has historically generated revenue and expects to generate revenue in the future is set out in Section 5.10 and 5.11. The forecast financial information set out in section 5.11 has been prepared on the basis of the best estimate assumptions set out in Section 5.11.1 and 5.11.2 and should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 5 including the basis of preparation set out in Section 5.2.1 and 5.2.2, the sensitivities set out in Section 5.12 and the risk factors set out in section 4.
2. EBITDA refers to Earnings Before Interest, Taxation, Depreciation and Amortisation and is one of the key measures used by ACN to assess financial performance on a monthly basis.
3. EBITA refers to Earnings Before Interest, Taxation and Amortisation (specifically amortisation of acquired intangible assets as discussed in Section 5.4).
4. EBIT refers to Earnings Before Interest and Taxation.
5. NPAT refers to Net Profit After Tax.
6. NPATA refers to Net Profit After Tax excluding amortisation of acquired intangible assets as discussed in Section 5.4.
7. EPS refers to Earnings Per Share and is calculated by dividing NPATA (on a pro forma and statutory basis) by the total number of shares on issue following completion of the Offer.

How to invest

Applications to subscribe for Shares can only be made by completing and lodging an Application Form attached to, or accompanying this Prospectus.

Instructions on how to apply are set out in Section 8.10 and on the back of the Application Form. Applications must be for at least 1,500 Shares (\$2,550) and in multiples of 1,500 Shares (\$2,550) thereafter.

Withdrawal rights

If you have submitted an Application prior to the date of this Prospectus, the Company will either:

- repay the money received by the Company from an applicant; or
- give an applicant:
 - a copy of this Prospectus; and
 - one month from the date of this Prospectus, to withdraw their Application and be repaid their Application Money.

While the Company has received valid Applications, no Applications have been processed and no Shares have been issued pursuant to Applications received prior to the date of this Prospectus. Refer to Section 8.24.

Letter from the Chairman

Dear Investor

On behalf of the Board of Directors, it is my pleasure to invite you to become a Shareholder in Australian Careers Network Limited (**ACN** or **Company**).

ACN is a leading provider of vocational education and training services in Australia and is the holding company of a number of business enterprises, comprising the primary operating companies, Community Training Initiatives Pty Ltd (**CTI**) and Centre of Vocational Education Pty Ltd (**COVE**).

CTI conducts a number of vocational education and training (**VET**) businesses and partners with other registered training organisations and TAFE institutes to deliver nationally recognised qualifications ranging from Certificate I to Advanced Diplomas. Its services include skills recognition pathway programs, heavy equipment licensing, simulative and flexible learning, industry experienced training assessment and employment pathways. CTI's qualifications include Certificate III courses in the trade, horticulture and hospitality sectors. CTI also partners with job seeking agencies to provide an employment pathway to students seeking meaningful employment upon completion of a course.

COVE was recently acquired by Australian Careers Network Group and is a leading Victorian private registered training organisation (**RTO**) specialising in small-to-large vehicle and machine operating licences linked to the construction and warehousing industries, as well as other trade-related qualifications such as crane operations and building.

An investment in ACN will provide Shareholders with an opportunity to participate in this growing business sector of VET through the organic growth of our existing CTI and COVE business networks, geographic expansion of the business model, increasing our international student training capability and the pursuit of appropriate acquisition opportunities in associated business sectors as they arise.

The Offer under the Prospectus is an offer of:

- 23,176,471 existing Shares held by two Existing Shareholders by way of a sell down at the transfer price of \$1.70 per existing Share and for the aggregate consideration of \$39,400,001; and
- 8,823,529 new Shares at the issue price of \$1.70 per new Share to raise \$14,999,999,

resulting in an aggregate raising of up to \$54.4 million. The Offer is fully underwritten by Petra Capital Pty Limited.

Importantly, your Chief Executive Officer, Ivan Brown, who is a co-founder of Community Training Initiatives and one of two major Existing Shareholders will continue to hold 23,267,974 Shares comprising 27.78% of the Company on completion of the Offer.

In conjunction with the Offer, the Company will apply for admission to and for quotation of all its issued Shares on the Official List of ASX.

The Company is committed to delivering high quality education and training programs which provide superior value and outcomes for both its partner organisations and its students.

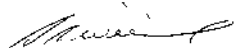
An investment in ACN is, however, subject to risks, including amongst other things, a loss of current Government funding to the sector, regulatory changes in the industry, cancellation or failure to renew Australian Careers Network Group's registrations to operate as VET providers, a reduction in course enrolments through loss of contracts or a reduction in the volume of training undertaken through Australian Careers Network Group, an increase in competition or deterioration in the competitive position of Australian Careers Network Group, a loss of key management personnel and a failure to deliver on growth strategies may mean that forecast performance may not be achieved. Details of these and other risks associated with an investment in the Company are set out more fully in Section 4 of the Prospectus and should be reviewed carefully.

This Prospectus contains other detailed information about ACN and its business activities. I encourage you to read this Prospectus carefully in its entirety before deciding whether to invest in ACN and where appropriate seek advice from your accountant, investment or legal adviser in relation to any matters which are not clear to you.

To apply for Shares, you will need to fill out the relevant Application Form attached to, or accompanying, this Prospectus. If you have any questions about how to apply for Shares, please call the ACN Share Offer Information Line on 1800 009 918 (from within Australia) or +61 1800 009 918 (from outside Australia for Australian residents temporarily overseas) or contact your stockbroker, accountant or other professional financial adviser.

On behalf of the Board I look forward to welcoming you as a Shareholder of ACN and to you joining the Board and management on what we believe will be a rewarding journey at ACN.

Yours sincerely



Stephen Williams
Chairman, Australian Careers Network Limited



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Investment overview



1

Investment Overview

1.1 Introduction

Question	Answer	More information
Who is the Issuer of this Prospectus?	Australian Careers Network Limited ACN 168 592 434	Section 2
What does ACN do?	<p>ACN is the holding company of Australian Careers Network Group.</p> <p>Australian Careers Network Group is a full service VET provider encompassing student marketing and recruitment, direct and subcontracted education and training delivery (registered and non-registered), the issuing of registered qualifications, tracking, processing and reporting functions under the Australian Skills Quality Authority (ASQA) and the Victorian Registration and Qualifications Authority (VRQA).</p> <p>Its primary services include workplace training and classroom based accredited certificates and diplomas, heavy equipment licensing, simulative and flexible learning, industry-experienced training and assessment and partnering with job seeking agencies to provide employment pathways to students seeking employment upon completion of a qualification.</p> <p>Australian Careers Network Group delivers VET qualifications through its 10* registered training organisations (RTOs) with over 40 locations across Victoria, New South Wales and Queensland, as well as through partnerships with key TAFE institutes and corporate clients. Prior to the commencement of FY15, operations were solely in Victoria.</p> <p>Australian Careers Network Group's strong foundation and established cash flows in Victoria provide a solid base from which Australian Careers Network Group can leverage to expand into other States and Territories. As at the date of this Prospectus, Australian Careers Network Group operates through 41 locations in Victoria, 1 location in New South Wales and 1 location in Queensland.</p> <p>The Australian Careers Network Group offers 96 nationally recognised qualifications from Certificate I to Advanced Diploma level, and enrolled over 10,700 students in FY2014 (pro forma).</p> <p>The Australian Careers Network Group prides itself on its point of difference – it undertakes its own training through appropriately qualified trainers using third party content. The Australian Careers Network Group targets appropriate students who are enrolled in appropriate courses with a view to the Australian Careers Network Group assisting students to obtain jobs on completion of the courses.</p> <p>* including Training Experts Australia and Training Synergies, the acquisition of which will be completed post the lodgement of the Prospectus and funded out of the proceeds of the Offer. A summary of the terms of the Share Purchase Agreement is contained in Section 9.2.</p>	Section 2
What entities comprise Australian Careers Network?	<p>Australian Careers Network Group consists of three primary business units. The first, Community Training Initiatives, is an unregistered VET provider that partners with RTOs and TAFE institutes to deliver nationally recognised qualifications under partner accreditation. The second, COVE, is a leading Victorian private RTO specialising in small-to-large vehicle and machine operating licences linked to the construction and warehousing industries, as well as other trade-related qualifications. The third, an employment division, which works to align job seekers with employment vacancies through retraining and up-skilling.</p> <p>Australian Careers Network Group also includes a number of smaller RTO entities, including the Australian Management Academy, Consider This Training, SMART, Haley College, Heron Access, Loka and ITC. These entities contributed 21.8% of FY14 pro-forma revenue.</p>	Sections 2.2 and 2.3

Question	Answer	More information
What is the purpose of the Offer?	<p>The Offer is being undertaken to provide Australian Careers Network Group with broader access to funding opportunities in order to pursue its growth strategies, to enable the founders of the business to realise a portion of their investment, to increase the liquidity of the Shares, and to enable Shareholders to take advantage of the opportunities available in the rapidly growing VET sector.</p> <p>Ivan Robert Brown and Prakash Charan are the founders of a number of companies in the Australian Careers Network Group. Consequently, they are the major shareholders of ACN. Increasingly, the driving force behind the business has been Ivan Robert Brown with the role of Prakash Charan becoming more limited over time. The Offer is seen as an opportunity for Prakash Charan to exit the business and, accordingly, Prakash Charan is selling down 21,500,000 Shares under the Offer. This exit is not expected to adversely impact the Australian Careers Network Group as Prakash Charan was primarily involved in sales and his role was reduced in 2013. He has since not undertaken a significantly active role in the Australian Careers Network Group. Prakash Charan has agreed to a restraint preventing him from competing with the business. Details of this restraint are set out in Section 9.4. There is no current agreement with Prakash Charan for him to provide an advisory role in the Australian Careers Network Group going forward.</p>	Sections 4.2, 8.5 and 9.4

Investment Overview

1.2 Key features of ACN's business model

Question	Answer	More information
How will ACN generate revenue?	<p>Australian Careers Network Group generates revenue from State and Territory government education and training funding schemes, fee-for-service training fees, employee placement fees from job services agencies, and fees earned from outsourced services to training organisations.</p> <p>The majority of pro-forma FY15 revenue is forecast to be derived from government subsidies, reflecting the ongoing need to address national skilled labour shortages in key industries. Approximately 5.3% of this Government funded revenue is forecast to be generated from NSW Government funding, 84% from Victorian Government funding and 10.7% from Commonwealth Government funding.</p> <p>The Board is aware that the current Labor Opposition in Victoria has announced as part of its platform 2014 document and subsequent campaign launch (26 October 2014) that amongst other things in relation to education reforms, it is proposing to::</p> <ul style="list-style-type: none">• restore funding for TAFE to address skill needs, support the development of work-ready training graduates, and lower barriers to participation for disadvantaged and high needs students across the state;• reform the VET system to ensure that Victoria's industry skills needs are met, and people gain meaningful qualifications to get a job or to retrain for the needs of industries in transition;• promote genuine partnership between industry, schools, TAFE, employers and universities;• establish a \$320 million TAFE rescue fund to reopen closed campuses and bail out struggling centres at risk of financial failure (the Age, 26 October 2014, Victorian Labor Party State Election Campaign Launch by Richard Willingham); and• undertake a review of VET funding if it wins the upcoming election. At the date of this Prospectus, the Board is not aware of the terms of the review or the details of any changes to the current funding arrangements. However, the Board notes that if this review is undertaken by the Labor Government (if it is successful), it will be headed by Bruce McKenzie, currently a Non-executive Director of ACN, who will resign as a Director in order to undertake that role and avoid any perceived conflict of interest. In addition, a Commonwealth Government Senate enquiry was approved on 24 November 2014. Its terms of reference include examination of private sector access to public funds; regulatory regimes governing the sector; the VET FEE-HELP scheme; the overall quality of education provided; associated learning requirements; and graduate outcomes for those completing training with private providers. This enquiry contributes to uncertainty about the future of private colleges operating in the sector in which ACN operates and therefore ACN's future.	Sections 2.3 and 2.8

Question	Answer	More information
How will ACN generate revenue (continued)?	<p>If the Labor Opposition in Victoria wins the election and follows through with its proposals, the Australian Careers Network Group may benefit from increased TAFE funding provided it can maintain its relationships with the TAFEs. Refer to Section 2.8 for further information about the Australian Careers Network Group's TAFE partnerships. Investors should note that the revenue received by Australian Careers Network Group in partnership with TAFE institutes is approximately 40% lower than if the revenue is derived directly through students enrolled through its owned RTOs. Furthermore, all Victorian subsidy courses contributing to the FY15 forecast are now on scope through both the Australian Careers Network Group's owned RTOs and its TAFE partnerships. On this basis, the Directors are also of the view that a change in Government will not adversely affect the Australian Careers Network Group's ability to attain the FY2015 forecast. However, it may impact future financial periods by increasing RTO compliance costs.</p> <p>Over time as Australian Careers Network Group pursues its growth strategies, fee-for-service revenue is expected to make a greater contribution to the revenue of Australian Careers Network Group.</p>	
What are ACN's key operational drivers?	<ul style="list-style-type: none"> • Australian Careers Network Group's organic revenue and profit growth is driven by the number of students trained, the training fee earned per student per annum, and the cost to acquire and train that student. There are a number of operational drivers underpinning these factors. • Under the rules of the AQF, RTOs are obliged to deliver standard core and elective units of competency leading to qualifications. The quality of student outcomes is variable depending on how the RTO customises delivery within these rules to meet student needs. Student decisions to enrol are based on the additional value added by the RTO in selecting appropriate content and delivery. • State governments determine the subsidy rate per hour of training delivered for each qualification. In some instances subsidy rates fully fund the cost of training for eligible students, while in others the student is required to contribute to the cost of qualification delivery. The extent to which a particular qualification is government funded is influenced by the government's assessment of the skilled labour shortage in its related employment sector – as the labour supply changes in those sectors so too do the training subsidy rates. • Australian Careers Network Group acquires students both directly through its call centre and student trainers and indirectly through corporate relationships developed by its business development team, strategic partnerships, and community-related investments. Ongoing marketing investment is required to both replace graduating students and to grow the total student intake each year. 	Sections 2.2(a), 2.2(b) and 2.2(c)

Investment Overview

Question	Answer	More information
What are ACN's business strategies?	<p>Australian Careers Network Group's growth strategy is both organic and acquisitive.</p> <p>In terms of its organic growth strategies, Australian Careers Network Group is currently working on opportunities to grow business with existing TAFE partners and opportunities to expand its TAFE partners list geographically.</p> <p>Australian Careers Network Group also intends to increase its international student training capability and explore international student recruitment in order to offer international student training places through registered Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) positions.</p> <p>ACN's subsidiary, Community Employment Initiatives is working to bridge the gap between training and employment by partnering with Job Services Australia to find jobs for unemployed trainees.</p> <p>Australian Careers Network Group is also currently exploring opportunities for developing and implementing its own online education platform. A high proportion of its course material is already approved for distribution online, and Australian Careers Network Group believes that internally directing the creation of a platform is important for developing the most effective tool for the online education of its students.</p> <p>The adoption of a demand driven funding model in Victoria has been a key driver of Australian Careers Network Group's success in driving funded revenue growth. As Queensland and New South Wales move to demand driven funding models in 2014 and 2015 respectively, Australian Careers Network Group will seek to replicate its success in Victoria in each of those States. While the demand driven funding model in Queensland and New South Wales is not as generous as that of Victoria, Australian Careers Network Group would be well positioned to benefit should the demand driven funding model be adopted in Queensland and New South Wales.</p> <p>Australian Careers Network Group has identified a number of potential acquisition opportunities in the VET sector to explore in the near future. The fragmented nature of the sector lends itself to further consolidation, particularly in the context of an evolving funding and regulatory landscape, where compliance procedures and costs for smaller participants can become difficult to manage.</p>	Sections 2.5 and 4.2

Question	Answer	More information
What is ACN's integration strategy?	<p>Through its integration of a number of acquisitions, Australian Careers Network Group will seek to leverage opportunities to organically expand qualification scope, increase its student pool, improve operational compliance of acquired assets and defray fixed costs across a wider asset base. Given the highly fragmented and evolving nature of the VET industry in Australia, the opportunity to add value through its acquisition of smaller bolt-on private RTOs is an area of significant focus for Australian Careers Network Group. Historically, CTI engaged in a practice of auspicing students - as a result, it retained only 60% of the fees generated by these students, with the remaining 40% going to the TAFEs. Through its acquisition strategy (ie, the acquisition of bolt-on RTOs), Australian Careers Network Group will be able to increase, and has through its acquisitions to date increased, the number of courses it is able to offer, with students undertaking courses through Australian Careers Network Group's RTOs. Training students directly through owned RTOs, independent of TAFE institutes results in the Australian Careers Network Group retaining a higher proportion of the fees than under an auspicing arrangement with the TAFE institutes. As at the date of this Prospectus, the FY2015 revenue forecast derived from the Victorian Government subsidies could be achieved under the Australian Careers Network Group's owned qualification scopes. Notwithstanding this acquisition and integration strategy, Australian Careers Network Group intends to maintain its existing relationships with TAFEs, further details of which are set out in Section 2.8.</p> <p>ACN will also endeavour to expand its business operations geographically and grow by pursuing appropriate acquisition opportunities.</p>	Sections 2.4, 2.5 and 2.8
What are ACN's key strengths?	<p>Australian Careers Network Group has a number of strengths, including the following:</p> <ul style="list-style-type: none"> • Sourcing students is a key strength, with Australian Careers Network Group growing since 2012 to become the one of the largest private training providers in Victoria. This demonstrates the Australian Careers Network Group's relative effectiveness in growing student enrolment numbers, which is the most important driver of its business. • Australian Careers Network Group's funding diversification strategy is also a key strength. While historically State Government subsidies have accounted for the majority of FY14 pro-forma revenue, recent acquisitions of CRICOS authorised businesses and arrangements to capitalise on the extension of VET FEE-HELP to Diplomas, Advanced Diploma and some Certificate IV qualifications provided by non-Higher Education providers will support a growing contribution from fee-for-service revenues through its partnerships; • Australian Careers Network Group also offers a broad range of qualifications which are geared to take advantage of top subsidy rates offered by the Victorian government. It has 96 qualifications on offer, with 44.5% of those qualifications attracting an hourly subsidy rate of at least \$9.50; and • Australian Careers Network Group is governed and guided by a highly experienced Board with strong industry connections and extensive sector knowledge and experience. 	Section 2.2

Investment Overview

1.3 Key sector strengths and investment highlights

Strength/highlight	Detail	More information
A large and growing sector with opportunities arising from significant structural changes	<p>VET sector revenues grew to A\$8.8bn nationally in 2012, representing 6% growth since 2011. There was however a decline in enrolment numbers in 2013 compared to 2012 enrolment numbers.</p> <p>The majority of the growth came from Victoria, as a result of Victoria's shift to a demand-driven funding model which in turn resulted in a significant increase in VET sector enrolments.</p> <p>South Australia's subsequent shift to a demand-driven funding model in 2012 achieved similar results.</p> <p>In light of the trends displayed by the introduction of the demand-driven funding models in Victoria and South Australia, the Australian Careers Network Group anticipates that similar results will be achieved with the shift to demand-driven funding models in Queensland in 2014 and New South Wales in 2015.</p>	Section 3
Entrenched skilled labour shortages	<p>National skilled labour shortages and high youth unemployment persist in a number of regions and industries. Addressing the labour shortfall remains an important priority for both State and Commonwealth Governments in order to source the labour necessary to deliver key national projects, primarily in infrastructure related industries, and thereby drive further GDP growth. This underpins the case for continued Commonwealth and State Government funding support for the VET sector.</p>	Section 3
Strong organic growth opportunities	<p>The VET sector has a number of organic growth opportunities, including:</p> <ul style="list-style-type: none">• the ongoing shift to demand-driven funding models in Queensland and New South Wales;• the extension of the VET FEE-HELP scheme to Diploma and Advanced Diploma qualifications, as well as some Certificate IV qualifications for a broader range of private training providers;• entrenched skilled labour shortages nationally; and• recent changes to student visa criteria which have resulted in a growth in international student enrolments in Australia.	Section 2.5(a) and 3
Acquisition opportunities	<p>The VET sector in Australia is fragmented, with approximately 5,000 RTOs delivering training outcomes that vary in quality and scale.</p> <p>The drive by government to improve the quality of VET outcomes, combined with complex compliance demands and other factors, including stringent regulatory oversight, favour the development of larger, structured organisations.</p> <p>Consolidation and corporatisation of the VET sector is a logical step towards a more sustainable VET market in Australia, and those companies with access to funding, a focus on high quality training outcomes and an ability to source students are best placed to lead the consolidation.</p>	Section 2.5(b) and 3

1.4 ACN's capital structure and funding

Question	Answer	More information																		
What will be the capital structure of the Company on completion of the Offer?	<table><tr><th>Shares</th><th>Number</th><th>%</th></tr><tr><td>Non vendored Shares on issue as at the date of this Prospectus</td><td>51,719,362*</td><td>61.78</td></tr><tr><td>Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust under this Prospectus</td><td>1,676,471</td><td>2.00</td></tr><tr><td>Shares to be transferred from Prakash Charan under this Prospectus</td><td>21,500,000</td><td>25.68</td></tr><tr><td>Shares to be issued under this Prospectus</td><td>8,823,529**</td><td>10.54</td></tr><tr><td>Total Issued Shares on completion of the Offer</td><td>83,719,362</td><td>100</td></tr></table>	Shares	Number	%	Non vendored Shares on issue as at the date of this Prospectus	51,719,362*	61.78	Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust under this Prospectus	1,676,471	2.00	Shares to be transferred from Prakash Charan under this Prospectus	21,500,000	25.68	Shares to be issued under this Prospectus	8,823,529**	10.54	Total Issued Shares on completion of the Offer	83,719,362	100	Section 8.8
	Shares	Number	%																	
	Non vendored Shares on issue as at the date of this Prospectus	51,719,362*	61.78																	
	Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust under this Prospectus	1,676,471	2.00																	
	Shares to be transferred from Prakash Charan under this Prospectus	21,500,000	25.68																	
	Shares to be issued under this Prospectus	8,823,529**	10.54																	
	Total Issued Shares on completion of the Offer	83,719,362	100																	
* Excludes 1,676,471 Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and 21,500,000 Shares to be transferred by Prakash Charan under this Prospectus.																				
** Includes 29,412 Shares to be issued to Craig Chapman in accordance with the terms of his appointment as a Non-executive Director. Refer to Section 7.1.																				
Will the Company be adequately funded after completion of the Offer?	The Directors are of the opinion that the Company will have sufficient working capital to carry out its stated objectives.	Section 8.7																		
How does ACN expect to fund its operations?	<p>ACN expects to fund its operations from State Government funding schemes, fee-for-service training fees, and fees earned from outsourced managed services to training organisations, technology solutions, consulting and related activities. Australian Careers Network Group is also considering a number of debt funding opportunities, including a debt facility between \$30 million and \$50 million.</p> <p>The forecast financial information included in this Prospectus does not include any assumptions in relation to securing such future financing facilities. To the extent that the Company is able to satisfactorily negotiate a debt facility as outlined above, any drawdowns of that facility will only be made for the acquisition of earnings accretive businesses such that the financial performance of such acquisitions is expected to exceed the servicing costs of the facility and improve the overall performance of the Australian Careers Network Group.</p>	Section 2.3 and 2.10																		

Investment Overview

1.5 Material Contracts

Question	Answer	More information
What are the material contracts?	<p>Funding contracts</p> <p>The following companies within Australian Careers Network Group are parties to State Government funding contracts pursuant to which the relevant State Government (Department) provides funding to the relevant company for the purposes of delivering VET opportunities to the community:</p> <ul style="list-style-type: none">(a) Consider This Training (Victoria);(b) COVE (Victoria);(c) Australian Management Academy (New South Wales, Queensland and Victoria);(d) SMART (Queensland and Victoria); and(e) Heron Assess (Victoria). <p>(each a Recipient).</p> <p>Further, Australian Careers Network Group is acquiring Training Experts Australia and Training Synergies pursuant to the Share Purchase Agreement, a summary of which is contained in Section 9.2. Training Experts Australia and Training Synergies are also parties to funding agreements in New South Wales and Queensland.</p> <p>The key terms of the funding contracts are as follows:</p> <ul style="list-style-type: none">(a) the funding by the Department is conditional on the Department's satisfaction that the training services are provided to the individual students identified to the Department in its periodic reporting (Eligible Students) and funds are provided to the RTO for the purpose of providing training to the Eligible Students; and(b) the Department may terminate the contract by notice in writing without cause by providing written notice or immediately in certain circumstances, including, without limitation, if the Recipient is the subject of an insolvency event or has its registration as a RTO suspended, withdrawn or cancelled.	Section 9.19
	<p>Share Purchase Agreement in relation to Training Experts Australia and Training Synergies</p> <p>Community Initiatives Group entered into a Share Purchase Agreement with Gary Redman, Gillian Redman and Oberlin Consulting Pty Ltd ACN 120 624 384 as trustee for the Oberlin Discretionary Trust (Sellers) in accordance with which Community Initiatives Group agreed to acquire the entire issued capital of Training Experts Australia and Training Synergies from the Sellers.</p> <p>The key terms of the Share Purchase Agreement are as follows:</p> <ul style="list-style-type: none">(a) the purchase price is \$4 million, as adjusted in accordance with the Share Purchase Agreement, plus two \$0.25 million earn outs for Gary Redman over a two year term post completion;(b) completion of the Share Purchase Agreement will occur after completion of the Offer under this Prospectus; and(c) completion is subject to and conditional upon satisfaction of a number of conditions precedent.	Section 9.2

Question	Answer	More information
What are the material contracts (continued)?	<p>Employment contracts and restraint deed</p> <p>Companies within Australian Careers Network Group have entered into employment contracts with senior management, including Ivan Robert Brown and David Green and a restraint deed with Prakash Charan, a former director of the Company.</p> <p>Summaries of these contracts are set out in Sections 9.3 and 9.4.</p> <p>Escrow Agreements</p> <p>Prakash Charan has entered into an Escrow Agreement with the Company pursuant to which his entire shareholding in the Company not the subject of the selldown will be escrowed from trading for a period of 24 months from the date on which trading in the Company's Shares commences on the ASX.</p> <p>IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) has entered into an Escrow Agreement with the Company pursuant to which:</p> <ul style="list-style-type: none"> • 17,944,445 Shares will be escrowed for a period ending on the earlier of 24 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and • 5,323,529 Shares will be escrowed for a period ending on the earlier of 12 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company. <p>Underwriting Agreement</p> <p>The Offer is fully underwritten by the Underwriter pursuant to an amended and restated underwriting agreement dated on or about the date of this Prospectus between the Company and the Underwriter which amends and restates the original underwriting agreement between the Company and the Underwriter dated 20 October 2014.</p> <p>Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter:</p> <ul style="list-style-type: none"> • a monthly retainer fee of \$30,000 (excluding GST) for the duration of the agreement; and • a management and underwriting fee calculated to be 6% of all capital raised up to \$50,000,000 and 5% on all amounts raised above \$50,000,000 exclusive of any applicable GST. <p>In addition, the Company must reimburse the Underwriter all reasonable costs and expenses incurred by the Underwriter in connection with the Offer in its capacity as underwriter, including legal expenses and disbursements, up to \$50,000 (excluding GST).</p>	<p>Sections 9.3 and 9.4</p> <p>Section 9.5</p>

Investment Overview

Question	Answer	More information
What are the material contracts (continued)?	<p>The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Underwriter.</p> <p>The warranties given by the Underwriter relate to matters such as due incorporation, capacity and power to enter into the Underwriting Agreement, solvency and authorisations.</p> <p>The Company has undertaken to indemnify the Underwriter and its officers and employees against all claims and liabilities incurred by the Underwriter in connection with the Offer and the Underwriting Agreement. The indemnity is subject to certain exceptions, including fraud, negligence, wilful misconduct and criminal penalties or fines.</p> <p>The Underwriter may at any time by written notice to the Company and without cost or liability to the Underwriter terminate the Underwriting Agreement with immediate effect if certain events occur in relation to the Company, the Offer or otherwise. A detailed list of these events is contained in Section 9.6.</p> <p>The Underwriter may appoint subunderwriters on such terms and conditions as it determines in its absolute discretion at its own expense. The Company will not be responsible for any payment of any fees to subunderwriters.</p> <p>For a period of 24 months commencing on the date the Company is admitted to the Official List (Post Prospectus Period), the Underwriter will have the exclusive right to raise any equity capital required by the Company. The Company will pay to the Underwriter a fee calculated to be 5% of all equity capital raised up to \$50,000,000 and 4% of all equity capital raised above \$50,000,000 during the first 12 months of the Post Prospectus Period and thereafter, 5% of all equity capital raised up to \$50,000,000 and 4% of all equity capital raised above \$50,000,000 during the second 12 months of the Post Prospectus Period (excluding GST).</p> <p>Performance Rights Plan</p> <p>The Company has adopted the Performance Rights Plan (Plan) to:</p> <ul style="list-style-type: none"> (a) attract, motivate and retain Participants; (b) provide an incentive to Participants to drive improvement and the Company's performance; (c) provide market competitive reward mechanisms; (d) provide Participants the opportunity to acquire an ownership interest in the Company; and (e) further align the financial interests of Participants with those of Shareholders. <p>A summary of the key terms of the Plan is set out in Section 10.4.</p>	<p>Section 9.6</p> <p>Section 10.4</p>

1.6 Key risks

Question	Answer	More information
What are the key risks of investing in ACN?	<p>Loss of government funding</p> <p>A significant portion of Australian Careers Network Group's revenue is derived from State Government funding sources, including grant or subsidy programs. Approximately 5.3% of this FY2015 pro forma revenue is forecast to be generated from NSW Government funding, 84% from Victorian Government funding and 10.7% from Commonwealth Government funding.</p> <p>There is a risk that these funding programs may cease, be reduced in size or reallocated in such a way as to limit private training provider access to funding generally, or to limit Australian Careers Network Group's access to funding specifically.</p> <p>Further, stringent regulatory and compliance protocols must be met in order to retain funding contracts, and there is no guarantee that Australian Careers Network Group will continue to meet all of its obligations under these requirements. There is also no guarantee that these requirements will not be altered to the extent that Australian Careers Network Group becomes unable to meet them by definition.</p> <p>Should any of the above occur, this could have a significant negative effect on the Company's revenues and profits.</p> <p>A Commonwealth Government Senate enquiry was approved on 24 November 2014. Its terms of reference include examination of private sector access to public funds; regulatory regimes governing the sector; the VET FEE-HELP scheme; the overall quality of education provided; associated learning requirements; and graduate outcomes for those completing training with private providers. This enquiry contributes to uncertainty about the future of private colleges operating in the sector in which ACN operates and therefore ACN's future.</p> <p>Changes to auspicing regulations</p> <p>Australian Careers Network Group's primary operating entity, Community Training Initiatives, derives the majority of its revenue and profits from auspicing arrangements with third party TAFE partners.</p> <p>Should the regulators decide to ban the practise of auspicing, limit the proportion of business that RTOs can conduct via auspicing, or materially increase the regulatory burden borne by non-registered training providers, then there is a risk that Australian Careers Network Group will cease to be able to conduct its business as it has previously done in the ordinary course.</p> <p>Policy risk</p> <p>The Victorian HESG must pre-approve third party partnership arrangements between RTOs and partners like CTI. There is a risk that the approval of such partnership arrangements may be delayed or not granted.</p> <p>From time to time, HESG issues training service agreement notices which must be implemented at short notice. Such notices may alter the eligibility requirements for subsidised students and/or the subsidy price. Accordingly, there is a risk that the profitability of courses may be adversely affected as a result.</p>	Section 4.2

Investment Overview

Question	Answer	More information
What are the key risks of investing in ACN (continued)?	<p>Contracts, licenses and accreditations</p> <p>Australian Careers Network Group holds a number of contracts, licenses and accreditations necessary for the provision of training. Australian Careers Network Group has to apply for State Government funding contracts and contracts with key TAFE partners each year, and there is no guarantee the relevant Australian Careers Network Group company will secure those funding and training contracts in the future.</p> <p>The Australian Careers Network Group also holds a number of accreditations, including with the VRQA (Victorian Registration and Qualifications Authority) and ASQA (the Australian Skills Quality Authority), the Victorian state and national VET regulatory bodies. Australian Careers Network Group needs to register for these accreditations every 5 years and apply for a renewal of these accreditations annually. There is no guarantee that Australian Careers Network Group will be granted registration or renewal of these accreditations. If the Australian Careers Network Group is unable to secure registration or renewal of these accreditations, all of the Australian Careers Network Group's training activities must cease immediately.</p> <p>In addition, RTOs are required to pay a nominal annual fee to ASQA based on the number of qualifications and units of competency offered, capped at a maximum of A\$50,000 until FY15. There is a risk that this fee could increase in the future. The Australian Careers Network Group notes however that for FY15 the fee has been frozen by the Commonwealth Government.</p> <p>Growth strategy</p> <p>The Company has only recently consolidated its subsidiaries within the Australian Careers Network Group. There can be no assurance that Australian Careers Network Group will continue to achieve the same level of growth which was achieved historically by Community Training Initiatives or COVE Training.</p> <p>There is a risk that Australian Careers Network Group may not be able to successfully execute the growth strategies outlined in Section 2.5. For example, Australian Careers Network Group may not be able to achieve the desired growth in student numbers through existing TAFE partners, or it may not be able to expand its TAFE partner network interstate. Alternatively, subsidy rates in training courses delivered by Australian Careers Network Group could be reduced.</p> <p>Failure to deliver on growth strategies may mean that Australian Careers Network Group is unable to achieve its objectives.</p> <p>Competition risk</p> <p>The market for VET services in Australia is highly competitive. Australian Careers Network Group competes with other VET providers, including private RTOs and public TAFE institutes who may have significant advantages including greater brand recognition, a longer operating history, lower operating costs, pre-existing relationships with current or potential clients, and greater financial, marketing and other resources. Any significant competition may adversely affect Australian Careers Network Group's ability to meet its objectives. Any increase in competition or deterioration in Australian Careers Network Group's competitive position could have a material adverse impact on Australian Careers Network Group's earnings and financial position.</p>	Section 4.2

Question	Answer	More information
What are the key risks of investing in ACN (continued)?	<p>Regulatory environment</p> <p>Australian Careers Network Group is exposed to the risks posed by current and potential future regulations and legislation that apply to both the VET sector and the industries in which its clients operate.</p> <p>Changes in the regulatory environment may have consequences for Australian Careers Network Group, such as limiting Australian Careers Network Group's ability to do business because of a change in laws.</p> <p>Australian Careers Network Group may be affected by revised or new legislation and guidelines by Commonwealth or State governments in relation to the VET sector. Such a regulatory change will impact on the business of Australian Careers Network Group and in particular, Australian Career Network Group's ability to deliver on services.</p> <p>Further, RTOs forming part of Australian Careers Network Group are subject to ongoing regulation by the VRQA and ASQA. Regulatory approval to operate as a RTO is reviewed annually, and between renewal periods the RTOs have a number of mandatory continuous compliance requirements relating to data recording and reporting, course content delivery, and others. Failure to maintain compliance could result in the RTOs being required to repay State or Commonwealth Government subsidies, or training licenses held by RTOs being revoked by the relevant authority. While all of the Australian Careers Network Group's RTOs currently hold the necessary regulatory approvals to operate, there is no guarantee that they will be able to obtain those approvals in the future.</p> <p>Demand-driven funding models</p> <p>All the States and Territories of Australia are at different stages of implementing demand driven funding models in accordance with the 2012 Council of Australian Governments agreement with the Commonwealth Government. To date, the models implemented by Victoria, South Australia and Queensland have each adopted certain unique aspects that impact the sources of funding received and mix of revenue generated by RTOs in each State. There is no guarantee that the funding structures currently implemented in those States will not change at a later date, or that the funding structures still to be implemented in other States and Territories, such as New South Wales, will not differ to those already implemented in Victoria, South Australia and Queensland. In this regard, Shareholders should note that the demand driven funding model in Queensland and New South Wales is not as generous as that of Victoria. However, Australian Careers Network Group would be well positioned to benefit should the demand driven funding model be adopted in Queensland and New South Wales.</p> <p>Accordingly, there can be no guarantee that the business methods, procedures and go-to-market model that Australian Careers Network Group has adopted in Victoria will yield similar success in its expansion into other States and Territories, or that these methods, procedures and model will continue to yield the same level of success in Victoria.</p>	Section 4.2

Investment Overview

Question	Answer	More information
What are the key risks of investing in ACN (continued)?	<p>Acquisitions</p> <p>While Australian Careers Network Group has made and successfully integrated a number of acquisitions to date, there can be no guarantee that any potential future acquisitions will yield the same results as those before.</p> <p>The Australian Careers Network Group includes COVE Training which was acquired prior to the Offer under this Prospectus. There can be no guarantee that the post-acquisition integration process will not impact on the financial results of COVE Training in FY15, or that the business will continue to achieve the type of financial results achieved by COVE Training prior to its acquisition by the Australian Careers Network Group.</p> <p>The Australian Careers Network Group is taking several steps to minimise business disruption, including running dual student processing systems while COVE Training's existing training database is migrated onto Australian Careers Network Group's software platform, and running dual financial software platforms while financial tracking and control of COVE Training's revenues and expenses are transferred to Australian Careers Network Group's centralised systems.</p> <p>Risk to constituent brands</p> <p>Australian Careers Network Group has adopted a multi-brand strategy, maintaining existing brand architectures of its recently acquired RTOs. The value of the goodwill in these brands is subject to a number of risks, including student training outcomes, regulator audit outcomes, the perceived quality of training packages and the trainers delivering the training, amongst others.</p> <p>Further, the VET sector is undergoing a period of significant change, and any associated adverse outcomes could impact on investors' perceptions of the value of the Australian Careers Network Group, in particular and the VET sector generally.</p> <p>Damage to the brands could have an adverse impact on Australian Careers Network Group's ability to attract new enrolments, particularly given a large number of alternative training businesses nationally.</p> <p>Reliance on relationships and alliances</p> <p>Australian Careers Network Group has relationships and alliances with TAFE partners, RTOs, employment agencies, government agencies and other stakeholders in the VET sector. Australian Careers Network Group's success, in part, depends upon its continued successful relationships with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of Australian Careers Network Group.</p>	Section 4.2

Question	Answer	More information
What are the key risks of investing in ACN (continued)?	<p>Enrolment levels</p> <p>The number of students who enrol for courses and programs offered by Australian Careers Network Group may vary depending on a number of factors, including competitive course providers, cost and name recognition of the VET provider.</p> <p>Notwithstanding that Australian Careers Network Group undertakes a significant business development program to increase enrolment, it is not possible for Australian Careers Network Group to predict the actual number of students who enrol for courses and programs offered by Australian Careers Network Group and there is a risk that the level of enrolment for courses and programs offered by Australian Careers Network Group and/or the profit made from the conduct of these courses and programs may vary from expectation.</p> <p>Further, there is no guarantee that once enrolled in a course the student will complete their training with Australian Careers Network Group, or complete the training at all. Should a student only partially complete a training course with Australian Careers Network Group, then Australian Careers Network Group only receives revenues for the portion of the training delivered, not for the whole course.</p> <p>Student processing compliance risk</p> <p>The government bodies with oversight of the VET sector maintain strict compliance regimes with regards to student enrolment paperwork and funding requests. Incorrect documentation can result in delays, audits by the regulator, and/or loss of government funding.</p> <p>Litigation</p> <p>Australian Careers Network Group provides training to a wide variety of clients, including individuals, corporations and government bodies.</p> <p>Due to the subjective nature of course content delivery and other factors, Australian Careers Network Group may be subject to complaints, litigation or other forms of redress should clients decide they are unsatisfied with their training experience with one of Australian Careers Network Group's entities.</p> <p>There can be no guarantee that claims will not be made against Australian Careers Network Group or, if they are, that they will be defended successfully.</p> <p>Australian Careers Network Group has taken steps to ensure training quality including regular internal audits of course content, course delivery methods and student training outcomes to minimise this risk.</p> <p>Third party risk</p> <p>The operations of Australian Careers Network Group require the involvement of a number of third parties, including suppliers, contractors and clients.</p> <p>Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of Australian Careers Network Group. It is not possible for the Company to predict or protect itself against all such risks.</p>	Section 4.2

Investment Overview

Question	Answer	More information
What are the key risks of investing in ACN (continued)?	<p>Operational risk</p> <p>The operations of Australian Careers Network Group may be affected by various factors including failures in internal controls and financial fraud. To the extent that such matters may be in the control of Australian Careers Network Group, Australian Careers Network Group will mitigate these risks through management and supervision controls.</p> <p>In addition, the business of Australian Careers Network Group may be affected by various factors which are beyond the control of the Company, such as further industry structural reforms.</p> <p>These risks and hazards could also result in personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While Australian Careers Network Group currently maintains insurance within ranges of coverage consistent with industry practice, no assurance can be given that Australian Careers Network Group will be able to obtain such insurance coverage at reasonable rates (or at all) in the future, or that any coverage it obtains will be adequate and available to cover any such claims.</p> <p>Management capability</p> <p>The success of Australian Careers Network Group depends upon the ability of its management to develop and implement the strategies to achieve the objectives of Australian Careers Network Group. Subjective decisions made by management or a general lack of management capability may cause Australian Careers Network Group to incur losses or to miss profit opportunities or otherwise have an adverse effect on the business of Australian Careers Network Group.</p> <p>Reliance on key staff</p> <p>Australian Careers Network's Group's success, in part, depends upon the continued performance, efforts, abilities and expertise of its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain personnel could adversely affect the time frames, cost structure and strategy delivery as currently envisaged for Australian Careers Networks Group's business.</p> <p>In particular, co-founder, Prakash Charan, who was primarily involved in sales since the business was founded, is selling a majority of his shareholding under the Offer and resigned from his role earlier this year. The Board notes that Prakash's role was reduced in 2013 and up until his resignation, he did not undertake a significantly active role in the Australian Careers Network Group. The Board considers that Prakash's exit from the business will not adversely impact the Australian Careers Network Group. A team of Business Development Managers has been progressively established in the past six months headed by Ms Anastasia Mantzis. Both Anastasia and Prakash have been instrumental in the training of this team to ensure a full knowledge transfer of Prakash's intellectual property. All third party relationships have been transitioned from Prakash to Anastasia and individual Business Development Managers who have been managing these relationships full time for the last four months. In light of this, the Board considers that Prakash's exit from the business will not adversely impact the Australian Careers Network Group.</p>	Section 4.2

Question	Answer	More information
<p>What are the key risks of investing in ACN (continued)?</p>	<p>Further, co-founder and Managing Director, Ivan Robert Brown has significant involvement in and knowledge of the business. If Mr Brown or one or more of the senior executives or other personnel of Australian Careers Network Group are unable or unwilling to continue in their present positions, Australian Careers Network Group may not be able to replace them easily which may result in a disruption of the business of Australian Careers Network Group and the financial condition of Australian Careers Network Group and results of operations may be materially and adversely affected.</p> <p>Concentration of shareholding</p> <p>Following completion of the Offer, IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, a company controlled by Ivan Robert Brown, will hold approximately 27.78% of the Shares on issue. Accordingly, Ivan Robert Brown will be in a position to significantly influence the outcome of matters relating to Australian Careers Network Group, including the election of Directors and the approval of transactions. The interests of Mr Brown may be different from the interests of investors who purchase Shares in the Offer.</p> <p>Shareholders may be adversely affected if Mr Brown should sell his holding in a poorly managed sell-down or if Mr Brown's interests should differ from those of other Shareholders.</p> <p>Shareholders should note IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) has entered into an escrow agreement with the Company pursuant to which:</p> <ul style="list-style-type: none"> • 17,944,445 Shares will be escrowed for a period ending on the earlier of 24 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and • 5,323,529 Shares will be escrowed for a period ending on the earlier of 12 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company. <p>Level of holding of Existing Shareholders</p> <p>At the date of this Prospectus, the Company had 74,895,833 Shares on issue. The total Shares on issue at completion of the Offer will be 83,719,362.</p> <p>The interests of Existing Shareholders, expressed as a percentage of the total share capital of the Company as at the date of this Prospectus, will be diluted as a result of the completion of the Offer. The Directors are of the view that the Offer will not have an effect on the control of the Company and the Company's ability to continue as a going concern is not dependent upon the receipt of funds under the Offer.</p> <p>Investors should note that Existing Shareholders will hold approximately 61.78% of the Company upon completion of the Offer. However, the Existing Shareholders comprise the founders and persons who participated in a substantial pre-IPO capital raising.</p>	<p>Section 4.2</p>

Investment Overview

Question	Answer	More information
What are the key risks in relation to the Shares?	<p>The prices at which the Shares trade, may fluctuate in response to a number of factors. There can be no guarantee that these trading prices will be sustained.</p> <p>The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital, or the price at which they may trade on the ASX.</p> <p>Returns from an investment in the Shares may also depend on general stock market conditions as well as the performance of the Company and the entire Australian Careers Network Group.</p> <p>There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the Offer Price.</p> <p>If the Company were to issue any equity securities the percentage ownership of existing Shareholders may be reduced and diluted.</p>	Section 4.3
Are there any other key general risks affecting an investment in ACN?	<p>A prolonged and significant downturn in general economic conditions may have a material adverse impact on ACN's trading and financial performance (based on the performance of the entire Australian Careers Network Group).</p> <p>There are also a number of broader general risks that may impact ACN's performance. These include risks such as abnormal stoppages in normal business operations due to factors such as war, political or civil unrest, higher than budgeted costs associated with the provision of service offerings and clients not renewing contracts or renewing contracts on less favourable terms, amongst others.</p> <p>The impact of actions by government may affect Australian Career Network Group's activities, including such matters as compliance with environmental regulations, taxation and royalties.</p>	Section 4.4

1.7 Financial information

What key financial information do you need to know about ACN's financial position, performance and prospects?	<p>Key financial information is summarised in the Key Offer Information table on page 2.</p> <p>The Forecast Financial Information detailed in Section 5 is based on various best estimate assumptions. These assumptions should be read in conjunction with the sensitivity analysis set out in Section 5 and the risk factors set out in Section 4.</p>	Sections 4 and 5
On what basis has the Financial Information been prepared?	<p>The Financial Information has been prepared in accordance with the recognition and measurement principles of the Australian Accounting Standards. Accounting policies relevant to the Financial Information are included in Section 11.</p>	Section 5

1.8 Directors and key management

Question	Answer	More information
Who are the Directors?	<p>Stephen Ray Williams LLB – Chairman and Non-executive Director</p> <ul style="list-style-type: none"> retired partner and current consultant of Kemp Strang Lawyers, Sydney and company director with over 35 years' experience in corporate and business transactions including IPOs and advising ASX listed companies and experience in the education sector former chairman and non-executive director for 16 years of Coffey International Limited and non-executive director of PrimeAg Australia Limited current Chairman and non-executive director of ASX listed Axiom Mining Limited current Chairman of Sydney Church of England Grammar School (Shore), Sydney <p>Ivan Robert Brown – CEO and Managing Director</p> <ul style="list-style-type: none"> co-founder of Community Training Initiatives substantial career working in the VET sector in executive management roles holds a Masters of Business Administration (Finance), Graduate Certificates in Management (Learning), Vocational Education and Training, Management and Human Resource Management and a Graduate Diploma in Community Sector Management Fellow of the Australian Institute of Management <p>Raymond Keith Griffiths – Non-executive Director</p> <ul style="list-style-type: none"> director of Midweek Consulting Pty Ltd and VET Development Centre Pty Ltd former CEO of Kangan Institute holds an AICD Company Director Diploma, Master of Education (Leadership and Management), Diploma of Frontline Management, Diploma of Education and Bachelor of Economics <p>Craig Graeme Chapman – Non-executive Director</p> <ul style="list-style-type: none"> over 25 years' experience in service industries, including holding senior management roles with a focus in the last 14 years on industry consultations has held senior management, company secretarial and director positions with four ASX listed companies holds a Bachelor of Commerce and Graduate Diploma in Company Secretarial Practice, is a CPA and a member of the Institute of Chartered Secretaries and Administrators <p>Bruce Mackenzie – Non-executive Director</p> <ul style="list-style-type: none"> former chief executive of the Holmesglen Institute holder of public service medal (Australia Day honours) for outstanding services to vocational education holds a Bachelor of Arts, a Master of Education and is a Doctor of the University of Canberra 	Section 7.1

Investment Overview

Question	Answer	More information
Who are ACN's key managers?	<p>Ivan Brown – Chief Executive Officer</p> <p>David Green – Company Secretary and Chief Financial Officer</p> <ul style="list-style-type: none"> joined CTI as Chief Financial Officer and Company Secretary in April 2014 Chartered Accountant with over 25 years' commercial experience, including experience as company secretary of listed and unlisted companies holds a Bachelor of Economics and a Master of Applied Finance <p>Harry Kochhar – Chief Operations Officer</p> <ul style="list-style-type: none"> significant experience in RTOs, including as operations manager and training program manager extensive knowledge across the VET sector in relation to controls, compliance and strategy holds qualifications in workplace training and assessment 	Section 7.1 and 7.2

1.9 Significant interests of key people and related party transactions

Question	Answer	More information																														
Who are the Company's Substantial Shareholders and what will their interests be on completion of the Offer?	<table><tr><th>Name of shareholder</th><th>Shares</th><th>%</th></tr><tr><td>IBT Holdings Pty Limited*</td><td>23,267,974</td><td>27.78</td></tr></table>	Name of shareholder	Shares	%	IBT Holdings Pty Limited*	23,267,974	27.78	Section 8.9																								
	Name of shareholder	Shares	%																													
	IBT Holdings Pty Limited*	23,267,974	27.78																													
* IBT Holdings Pty Limited a trustee for IBT Holdings Family Trust is a company controlled by Ivan Robert Brown.																																
What are the Directors' current shareholdings in ACN?	<table><tr><th>Director</th><th>Direct Shares</th><th>%</th><th>Indirect Shares</th><th>%</th></tr><tr><td>Stephen Ray Williams</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Ivan Robert Brown</td><td>0</td><td>0</td><td>24,944,445</td><td>33.31</td></tr><tr><td>Raymond Keith Griffiths</td><td>0</td><td>0</td><td>0</td><td>0</td></tr><tr><td>Craig Graeme Chapman</td><td>0</td><td>0</td><td>500,000</td><td>0.67</td></tr><tr><td>Bruce Mackenzie</td><td>0</td><td>0</td><td>0</td><td>0</td></tr></table>	Director	Direct Shares	%	Indirect Shares	%	Stephen Ray Williams	0	0	0	0	Ivan Robert Brown	0	0	24,944,445	33.31	Raymond Keith Griffiths	0	0	0	0	Craig Graeme Chapman	0	0	500,000	0.67	Bruce Mackenzie	0	0	0	0	Section 7.5
	Director	Direct Shares	%	Indirect Shares	%																											
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	Ivan Robert Brown	0	0	24,944,445	33.31																											
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	Craig Graeme Chapman	0	0	500,000	0.67																											
	Bruce Mackenzie	0	0	0	0																											

Question	Answer	More information																		
What escrow restrictions apply to the key Shareholder's Shares?	<p>IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and Prakash Charan have each entered into escrow agreements with the Company pursuant to which their entire shareholdings in the Company not the subject of the selldown will be escrowed from trading:</p> <ul style="list-style-type: none"> in respect of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust: <ul style="list-style-type: none"> 17,944,445 Shares will be escrowed for a period ending on the earlier of 24 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and 5,323,529 Shares will be escrowed for a period ending on the earlier of 12 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and in respect of Prakash Charan, for a period of 24 months from the date on which the Company's Shares are quoted on the ASX. 	Section 9.5																		
What significant benefits and interests are payable to Directors and other persons connected with ACN or the Offer?	<table> <tr> <th>Director</th><th>Directors' Fees</th><th>Remuneration</th></tr> <tr> <td>Stephen Ray Williams</td><td>\$80,000</td><td>0</td></tr> <tr> <td>Ivan Robert Brown</td><td>0</td><td>\$300,000**</td></tr> <tr> <td>Raymond Keith Griffiths</td><td>\$50,000</td><td>0</td></tr> <tr> <td>Craig Graeme Chapman</td><td>\$50,000*</td><td>0</td></tr> <tr> <td>Bruce Mackenzie</td><td>\$50,000</td><td>0</td></tr> </table> <p>* in scrip – to be satisfied by the issue of 29,412 Shares at the Offer Price on completion of the Offer.</p> <p>**exclusive of superannuation</p>	Director	Directors' Fees	Remuneration	Stephen Ray Williams	\$80,000	0	Ivan Robert Brown	0	\$300,000**	Raymond Keith Griffiths	\$50,000	0	Craig Graeme Chapman	\$50,000*	0	Bruce Mackenzie	\$50,000	0	Section 7.4
Director	Directors' Fees	Remuneration																		
Stephen Ray Williams	\$80,000	0																		
Ivan Robert Brown	0	\$300,000**																		
Raymond Keith Griffiths	\$50,000	0																		
Craig Graeme Chapman	\$50,000*	0																		
Bruce Mackenzie	\$50,000	0																		

1.10 Key terms and conditions of the Offer

Question	Answer	More information
What is the Offer?	The Offer is an initial public offering (IPO) of up to 32,000,000 Shares comprising up to 1,676,471 existing Shares held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, a company controlled by Ivan Robert Brown, 21,500,000 existing Shares held by Prakash Charan and 8,823,529 new Shares in ACN all at an Offer Price of \$1.70 per Share to raise a total of up to \$54.4 million.	Section 8.2
Will the Shares be listed?	Within seven days of the date of this Prospectus, ACN will make an application to the ASX for admission to the Official List of ASX and Official Quotation of the Shares.	Section 8.15
Is the Offer underwritten?	The Offer is fully underwritten by Petra Capital Pty Ltd.	Section 8.14

Investment Overview

Question	Answer	More information																					
How will the proceeds of the Offer be used?	<p>The proceeds of the Offer will be used as follows:</p> <table> <tr> <th>Use of Proceeds</th><th>\$</th><th>%</th></tr> <tr> <td>Pay IBT Holdings Pty Ltd as trustee for the IBT Holdings Family Trust for the transfer of 1,676,471 Shares under this Prospectus</td><td>2,850,000**</td><td>5.24</td></tr> <tr> <td>Pay Prakash Charan for the transfer of his 21,500,000 Shares to be transferred under this Prospectus</td><td>36,550,000**</td><td>67.19</td></tr> <tr> <td>Company expenses associated with the Offer</td><td>1,948,000</td><td>3.58</td></tr> <tr> <td>Commitments*</td><td>8,345,000*</td><td>15.34</td></tr> <tr> <td>Working capital</td><td>4,707,000</td><td>8.65</td></tr> <tr> <td>Total</td><td>54,400,000</td><td>100</td></tr> </table> <p>* includes \$4,000,000 to be paid to the vendors of Training Experts Australia and Training Synergies for the acquisition of all of the shares in those companies.</p> <p>** includes the amount of \$2.3 million which is the aggregate pro rata portion of the broker fee payable by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and Prakash Charan to Petra Capital Pty Ltd.</p> <p>Note that in relation to the fee payable to Petra Capital Pty Ltd, the fee will be paid on a pro rata basis by each of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown), Prakash Charan and the Company.</p>	Use of Proceeds	\$	%	Pay IBT Holdings Pty Ltd as trustee for the IBT Holdings Family Trust for the transfer of 1,676,471 Shares under this Prospectus	2,850,000**	5.24	Pay Prakash Charan for the transfer of his 21,500,000 Shares to be transferred under this Prospectus	36,550,000**	67.19	Company expenses associated with the Offer	1,948,000	3.58	Commitments*	8,345,000*	15.34	Working capital	4,707,000	8.65	Total	54,400,000	100	Section 8.5
Use of Proceeds	\$	%																					
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Commitments*	8,345,000*	15.34																					
Working capital	4,707,000	8.65																					
Total	54,400,000	100																					
Who can participate in the Offer?	The Offer is open to Australian residents and institutions only and wholesale investors in Hong Kong, New Zealand and Singapore.	Section 8.2																					
What is the structure of the Offer?	Institutional and retail offer.	Section 8.2																					
What is the Minimum Subscription under the Offer	There is no minimum subscription under the Offer.																						
What is the amount to be raised under the Offer?	The amount to be raised under the Offer is \$54.4 million																						
How do I apply for Shares?	By submitting the valid Application Form attached to, or accompanying, this Prospectus in accordance with the instructions set out on the Application Form.	Section 8.10																					
What is the minimum Application under the Offer?	Applicants must apply for a minimum of 1,500 Shares representing a minimum investment of \$2,550. Applicants applying for additional Shares must apply for Shares in multiples of 1,500 Shares (representing a further investment of \$2,550).	Sections 8.2 and 8.10																					
What is the allocation policy?	<p>All decisions regarding the allocation of Shares under the Offer will be made by ACN.</p> <p>ACN reserves the right, in its absolute discretion, to allot the Shares applied for under any Application under the Offer in full or in the event of an over subscription to scale back any Application to allot any lesser number or to decline any Application. ACN may in its absolute discretion give preference to certain investors in accepting Applications under the Offer.</p>	Section 8.13																					

Question	Answer	More information
Is there any brokerage, commission or stamp duty payable by the Applicants?	No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.	Section 8.16
What are the tax implications of making an investment in the Company?	The taxation implications of investing in ACN will depend on an investor's individual circumstances. Applicants should obtain their own tax advice prior to making an investment in ACN.	Sections 8.21 and 10.8
Do I have withdrawal rights in respect of my Application for Shares?	<p>Yes. If you have submitted an Application prior to the date of this Prospectus, the Company will either:</p> <ul style="list-style-type: none"> • repay the money received by the Company from an applicant; or • give an applicant: <ul style="list-style-type: none"> – a copy of this Prospectus; and – one month from the date of this Prospectus, to withdraw their Application and be repaid their Application Money. <p>While the Company has received valid Applications, no Applications have been processed and no Shares have been issued pursuant to Applications received prior to the date of this Prospectus.</p>	Section 8.24
Will I receive dividends?	<p>There will be no dividend paid for the six months ending 31 December 2014.</p> <p>Depending on available profits and the financial position of ACN, it is the intention of the Board to pay a dividend at the end of FY15. It is expected that all future dividends will be franked to the maximum extent possible. The ability to pay a dividend will also depend upon a number of other factors including the risk factors set out in Section 4.</p>	Section 8.12
What are the key dates of the Offer?	<p>The key dates for the Offer are:</p> <ul style="list-style-type: none"> • Offer opens: 26 November 2014 • Offer closes: 29 December 2014 • Despatch of Shareholder statements: 8 January 2015 • Anticipated ASX trading: 13 January 2015 	Section 8.1
How can further information be obtained?	If you require assistance or additional copies of this Prospectus, please contact your broker or the Share Registry. For advice on the Offer, you should speak to your stockbroker, accountant or other professional financial adviser.	
Contact details	For contact details, refer to the Corporate Directory.	After the Glossary section

Company Overview

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Company Overview



2

Company Overview

2.1 Introduction to Australian Careers Network Group

Australian Careers Network Group includes ACN and its subsidiaries. Ivan Robert Brown and Prakash Charan were the founders of Community Training Initiatives Pty Ltd (**CTI**), Community Initiatives Group Pty Ltd (**CIG**), CLI Training Pty Ltd (**CLI Training**) and Community Employment Initiatives Pty Ltd (**CEI**) and have been operating the business through these entities variously since 2012. Prior to the incorporation of ACN, Ivan Robert Brown and Prakash Charan acquired Consider This Training Pty Ltd (**CTT**) in September 2013 through their privately held corporate entities.

CTI was the primary operating entity and CIG was the entity through which the Australian Careers Network Group acquired a number of RTOs in 2014 (refer to Section 2.6). The most significant of these acquisitions is COVE Training, a business which has been in operation since 1995.

ACN was incorporated on 17 March 2014 as a holding company for the Australian Careers Network Group and a listing vehicle.

Prior to the lodgement of the prospectus on 20 October 2014, each of the entities owned by Ivan Robert Brown and Prakash Charan (through their privately held corporate entities) was acquired by ACN on a scrip for scrip basis. Following the completion of these acquisitions, each of Ivan Robert Brown and Prakash Charan is the beneficial holder of 24,944,445 Shares in ACN (49,888,890 Shares in aggregate).

Over the past several years, Australian Careers Network Group has become one of the leading private providers of vocational education and training in Victoria. It delivered courses to over 10,700 students in FY2014 and has a suite of 96 qualifications with various funding options and training delivery methods available. Having successfully established itself as a preferred vocational education and training (**VET**) provider during the shift to a demand driven funding model in Victoria, Australian Careers Network Group is well placed to capitalise on a similar evolution of other State and Territory funding models, through both organic and acquisitive growth.

The Australian Careers Network Group prides itself on its point of difference - it undertakes its own training through appropriately qualified trainers using third party content. The Australian Careers Network Group targets appropriate students who are enrolled in appropriate courses with a view to the Australian Careers Network Group assisting students to obtain jobs on completion of the courses.

The VET industry is evolving rapidly at a national level driven by changes to funding support from Commonwealth, State and Local Governments. This is creating new opportunities in the sector. The marketplace is fragmented, with approximately 5,000 entities delivering various mixtures of VET services. The transition to a demand driven funding model and an increasingly rigorous regulatory and compliance regime will present significant challenges to many sector participants.

Australian Careers Network Group expects to be in a strong competitive position as it has successfully competed in the Victorian market, the first State to move to the demand driven funding model. Guided by a Board that includes members with strong industry experience, Australian Careers Network Group's management expects to leverage its broad course base, marketing and student recruitment capabilities, access to capital and regulatory and compliance systems and processes to grow its business over the next several years.

2.2 Business Model

Australian Careers Network Group is a full service VET organisation, encompassing student marketing and recruitment, direct and subcontracted education and training delivery (registered and non-registered), the issuing of registered qualifications, and student registration, tracking, processing and reporting functions under the Australian Skills Quality Authority (**ASQA**) and Victorian Registration and Qualifications Authority (**VRQA**).

Its primary services include workplace training and classroom based accredited certificates and diplomas, heavy equipment licensing, simulative and flexible learning, industry-experienced training assessment, and partnering with job seeking agencies to provide employment pathways to students seeking employment upon completion of a qualification.

Australian Careers Network Group's key strength is its ability to deliver specifically contextualised qualification content, particularly in the case of corporate or industry-focused training. Australian Careers Network Group's business development team works closely with the management teams of the target training partners to develop relevant, hands-on skills-focussed training.

Australian Careers Network Group delivers VET qualifications through its 10¹ registered training organisations (**RTOs**) with over 40 locations across Victoria, Queensland and New South Wales, as well as through partnerships with key TAFE colleges and corporate clients. Prior to the commencement of FY15, operations were solely in Victoria. As at the date of this Prospectus, Australian Careers Network Group operates through 41 locations in Victoria, 1 location in New South Wales and 1 location in Queensland.

Australian Careers Network Group offers 96 nationally recognised qualifications from Certificate I to Advanced Diploma level, and enrolled 10,700 new students in FY2014.

The Australian Careers Network Group prides itself on its point of difference – it undertakes its own training through appropriately qualified trainers using third party content. The Australian Careers Network Group targets appropriate students who are enrolled in appropriate courses with a view to the Australian Careers Network Group assisting students to obtain jobs on completion of the courses.

In recent times, Australian Careers Network Group has enjoyed strong pro-forma student enrolment growth across the Australian Careers Network Group. Pro-forma FY14 enrolments of 10,700 compared to FY12 enrolments of approximately 7,700. Approximately 85% of the FY14 enrolments were based in Victoria which makes Australian Careers Network Group one of Victoria's largest private training providers (by student enrolments), with enrolments increased through both organic growth and strategic acquisitions.

Organic growth has been driven by expanding the scope of qualifications offered, increasing the number of training partner relationships, growing Australian Careers Network Group's direct marketing and business development teams, and investing in community sponsorship and support initiatives. Australian Careers Network Group continues to execute existing growth initiatives, while focusing on new growth initiatives, including pathways to employment and increasing its international student training capability with a view to delivering international student training.

(a) Student recruitment and business development

One of Australian Careers Network Group's key strengths is its effective student enrolment acquisition model. Australian Careers Network Group has grown since 2012 to become one of Victoria's largest private training providers by enrolment numbers, excluding its recent primary acquisitions (COVE Training and Australian Management Academy).

(i) Student Recruitment

Australian Careers Network Group employs a number of student recruitment methods to increase total student numbers each year, including direct marketing, corporate partnerships and sponsorships, the engagement of student brokers, and more recently, the use of agency relationships.

The diagram below illustrates how each student recruitment method has contributed to the growth of new student enrolment numbers.

1 including Training Experts Australia and Training Synergies, the acquisition of which will be completed post the lodgement of the Prospectus and funded out of the proceeds of the Offer. A summary of the terms of the Share Purchase Agreement is contained in Section 9.2.

Figure 1: Student recruitment methods

Method	Description
• Direct marketing	• Approximately 50% of new student enrolments. Australian Careers Network uses a mix of outbound call centre marketing, on-the-ground business development executives and trainer/student acquisition models to secure new enrolments.
• Corporate partnerships/sponsorships	• Approximately 35% of new student enrolments. This includes partnerships with private companies mandated to deliver government-subsided training, and strategic alignments with industry bodies and relevant high-profile community-based enterprises (such as sports teams and conference providers).
• Brokers	• Up to 15% of new student enrolments. Australian Careers Network makes tactical use of broker-sourced enrolments to leverage wider business opportunities as opposed to relying on brokers as a primary source of new student enrolments.
• Agencies	• A new area of growth. Australian Careers Network is increasingly seeking to provide pathways to employment for its graduating students through key agency partnerships. Job Services Australia, the Commonwealth Government employment services system, is the first of such agency agreements.

Source: Australian Careers Network Group.

(ii) Business Development Methods

Australian Careers Network Group's business development is spearheaded by its team of business development managers.

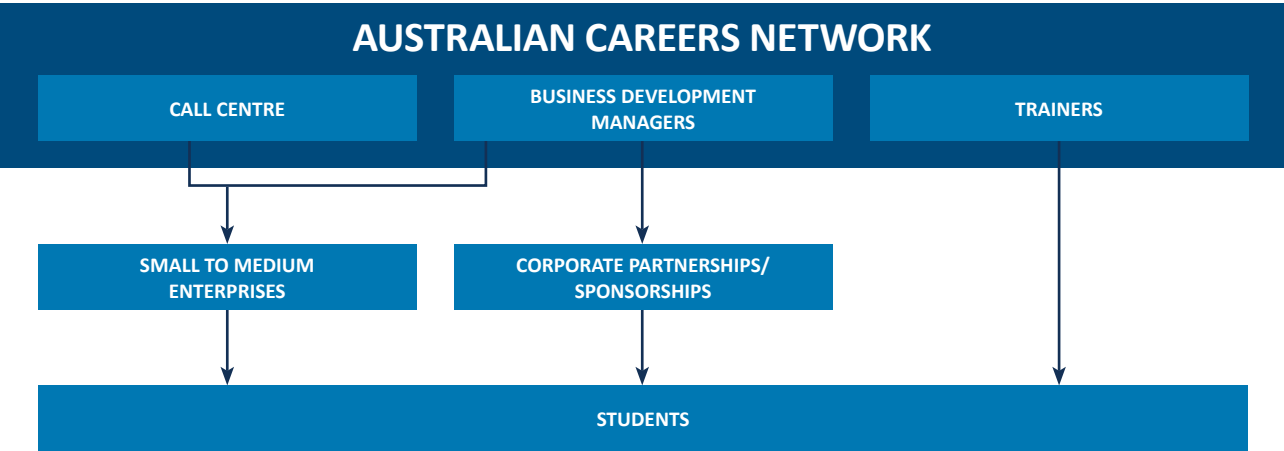
Australian Careers Network Group's business development team comprises members who are experienced in the development of VET businesses. Australian Careers Network Group proposes to increase the size of its business development team in the near future to more effectively handle existing demand, and to drive acquisition of new student enrolment business.

Australian Careers Network Group also utilises a direct trainer-to-student business development method, whereby trainers who conduct onsite face-to-face assessments of student needs in response to training enquiries by organisations, promote the courses offered by Australian Careers Network Group during the assessment.

Business development managers and trainers are rewarded through a base remuneration and commission structure.

Company Overview

Figure 2: Business development methods



Source: Australian Careers Network Group

(b) Course development and sourcing

The Australian Qualification Framework (AQF) sets the minimum standards for qualification course content and quality in Australia.

Qualification courses can either be sourced from third party specialist course developers or developed internally by the training provider, but all qualification courses must be accredited by AQF prior to delivery.

Each method has its benefits and drawbacks. Sourcing course material externally enables a training provider to quickly include a new training qualification in its course program, provided that the course material is fully developed and ready for release. The drawback of sourcing courses externally is that the training provider is reliant on the third party developer for course compliance with AQF standards and if new course content is required, there can be a significant delay in the delivery of updated content. In addition, third party sourced content is often generic in design and will need to be amended to suit specific client needs.

While developing course content internally has the advantage that it is developed according to the unique specifications of the particular client, it is significantly more costly, and includes the cost of the course developer, consulting fees to industry for the required ‘industry validation’ of course content, and the burden of ensuring course material complies with regulatory requirements. It can also inhibit a training provider’s speed-to-market, ability to be flexible in course delivery, and scope to address new market opportunities ahead of the competition.

Australian Careers Network Group sources all of its courses from third party developers and takes the extra step of hiring VRQA contracted auditors to review all course material to ensure that all content is compliant with ASQA and the AQF. Australian Careers Network Group also purchases new course content in advance in anticipation of potential training growth opportunities in new sectors in order to avoid long delays in coming to market.

While the AQF requires a minimum standard for course content, the actual presentation and delivery of course material is inconsistent between training providers, particularly with respect to the relevance of non-core training units selected for inclusion in the scope of a course. Australian Careers Network Group’s business development team works closely with both the client and an internal course content development team in order to ensure the acquired course material is relevant. A significant proportion of Australian Careers Network Group’s qualifications are suitable for both online and in-person delivery.

This is a key point of differentiation for Australian Careers Network Group – because of the scalability of its operations, it is able to compete with smaller specialist niche training providers.

CASE STUDY: INNOVATIVE COURSE DESIGN



CTI believes that in order to be a successful training organisation its first priority must be delivering relevant, highly contextualised and quality training solutions.

Accordingly, CTI is constantly seeking new and innovative ways to add value to a student's education and training experiences.

In a recent example of innovative course design CTI has leveraged its sponsorship of, amongst others, National Basketball League (NBL) club Melbourne United to attract staff and coaches to deliver key aspects of its latest course, Diploma of Management (Sports).

Conducted in conjunction with Kangan TAFE CTI has designed and resourced the course, arranging offsite facilities in central Melbourne in order to increase accessibility for course participants.

With the potential for high-performing students to undertake internships with Melbourne United as one potential training outcome, initial enrolment interest has been high. CTI is working to expand on similar sponsor partnership programs in 2015.

Australian Careers Network Group's focus on skilled labour shortage-exposed sectors has resulted in approximately 44.5% of revenue being derived from qualifications attracting an hourly subsidy rate of \$9.50 or greater. Approximately 66% of revenue is derived from courses attracting an hourly subsidy rate of \$7.00 or greater.

Direct training of funded domestic students is delivered by Australian Careers Network Group's RTOs, including COVE Training, Consider This Training, the Australian Management Academy, Haley College, Heron Assess and SMART. It will also be delivered through Training Experts Australia and Training Synergies following completion of their acquisition pursuant to the Share Purchase Agreement, a summary of which is contained in Section 9.2.

Each RTO is specialised in its own set of core competencies and employs industry-experienced instructors who have a strong focus on quality training outcomes. Australian Careers Network Group also conducts training on behalf of key TAFE partners and workplace and industry organisations through its non-registered entities, Community Training Initiatives and CLI Training.

Revenue from funded domestic students is primarily derived from State Government funding, with additional revenue being derived by fee-for-service and, to a limited extent, by subsidies from VET FEE-HELP schemes. Australian Careers Network Group is also focused on increasing the number of VET FEE-HELP funded enrolments so as to increase this revenue stream through partnerships with TAFE institutes and industry organisations, acquisitions of businesses, further course investment and targeted business development.

Government funded revenue takes the form of a subsidy-per-training-hour delivered, occasionally modified by course-specific factors (which are typically linked to apprenticeship or non-apprenticeship training, or where the Government has an interest in that course due to skilled labour shortages), up to a maximum number of training hours delivered for a particular course.

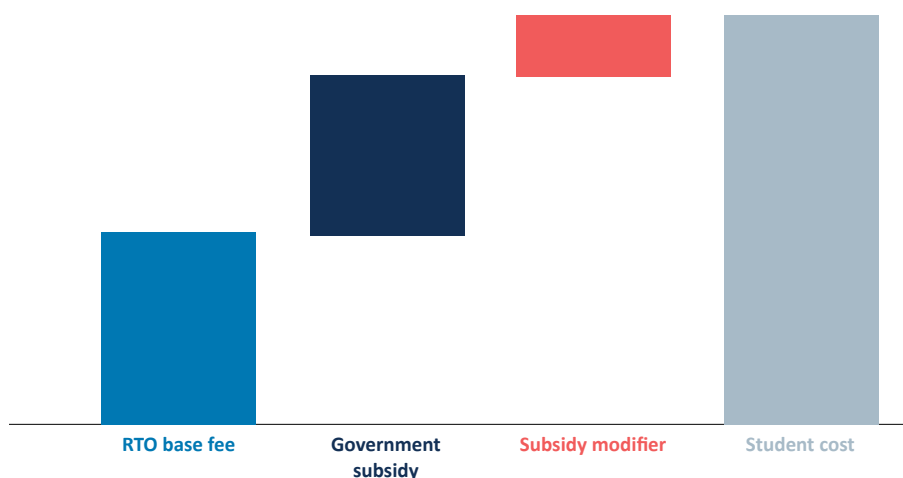
(c) Funded and Unfunded students

(i) Funded students

Traditionally, Australian Careers Network Group aligned its core training strengths with those industries experiencing entrenched skilled labour shortages such as trade, construction, aged care and child care. Due to the availability of funding, Australian Careers Network Group plans to continue targeting these industries and expand its existing qualification scope to other industries. Australian Careers Network Group is positioning itself to offer government funded training options across a broad scope of qualifications to students from a wide socio-economic demographic.

Company Overview

Figure 3: Derivation of a student course fee



Source: Australian Careers Network Group

Students are sourced directly, via corporate, industry and community partnerships and, to a lesser extent, via broker and agency relationships. Student sourcing is discussed in greater detail in Section 2.2(a) and 2.2(b).

(ii) Unfunded students

Currently, Australian Careers Network Group's revenue is predominantly linked to State Government subsidies. Where Australian Careers Network Group does conduct fee-for-service training, this revenue is largely earned by COVE Training.

COVE Training's focus on large machinery qualifications for earthworks, civil construction (including roads) and logistics equipment (forklift license training and similar) enables COVE Training to benefit from growing Government infrastructure investment, and a construction industry that continues to experience a significant skilled labour shortage.

This is a key area of focus for Australian Careers Network Group in diversifying its sources of revenue. Australian Careers Network Group is focused on increasing its fee-for-service and other alternative revenue streams through both organic growth and acquisitive growth, including increasing its international student training capability with a view to delivering international student training through CRICOS placements and a broadened VET FEE-HELP program.

(d) Hub and Spoke model

Australian Careers Network Group operates a hub and spoke model – through Community Training Initiatives which provides all of the shared services, audit processes, operating systems and education and training resources to the other entities within Australian Careers Network Group.

2.3 Funding sources

The following companies within Australian Careers Network Group are parties to State Government funding contracts pursuant to which the relevant State Government provides funding to the relevant company for the purposes of delivering VET opportunities to the community:

- Consider This Training (Victoria);
- COVE (Victoria);
- Australian Management Academy (New South Wales, Queensland and Victoria);
- SMART (Queensland and Victoria); and
- Heron Assess (Victoria).

The State Government funding assists to promote education and is typically targeted at supporting industries that require up-skilling or industries that are identified as having a skills shortage.

Australian Careers Network Group is also an indirect beneficiary of Commonwealth Government funding via VET FEE-HELP loan revenues generated from its partnership on certain courses with Kangan TAFE. This is the only form of Commonwealth Government funding that Australian Careers Network Group currently receives, either directly or indirectly.

The companies within Australian Careers Network Group regularly tender for new funding contracts or extensions to existing contracts. A summary of the terms of the funding contracts is set out in Section 9.1.

The Board is aware that the current Labor Opposition in Victoria has announced as part of its platform 2014 document and subsequent campaign launch (26 October 2014) that amongst other things in relation to education reforms, it is proposing to:

- restore funding for TAFE to address skill needs, support the development of work-ready training graduates, and lower barriers to participation for disadvantaged and high needs students across the state;

- reform the VET system to ensure that Victoria's industry skills needs are met, and people gain meaningful qualifications to get a job or to retrain for the needs of industries in transition;
- promote genuine partnership between industry, schools, TAFE, employers and universities;
- establish a \$320 million TAFE rescue fund to reopen closed campuses and bail out struggling centres at risk of financial failure (the Age, 26 October 2014, Victorian Labor Party State Election Campaign Launch by Richard Willingham); and
- undertake a review of VET funding if it wins the upcoming election. At the date of this Prospectus, the Board is not aware of the terms of the review or the details of any changes to the current funding arrangements. However, the Board notes that if this review is undertaken by the Labor Government (if it is successful), it will be headed by Bruce Mackenzie, currently a Non-executive Director of ACN, who will resign as a Director in order to undertake that role and avoid any perceived conflict of interest. In addition, a Commonwealth Government Senate enquiry was approved on 24 November 2014. Its terms of reference include examination of private sector access to public funds; regulatory regimes governing the sector; the VET FEE-HELP scheme; the overall quality of education provided; associated learning requirements; and graduate outcomes for those completing training with private providers. This enquiry contributes to uncertainty about the future of private colleges operating in the sector in which ACN operates and therefore ACN's future.

If the Labor Opposition in Victoria wins the election and follows through with its proposals, the Australian Careers Network

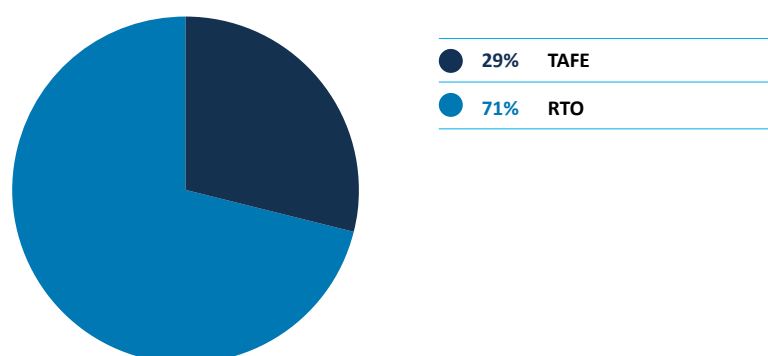
Group may benefit from increased TAFE funding provided it can maintain its relationships with the TAFEs. Refer to Section 2.8 for further information about the Australian Careers Network Group's TAFE partnerships. Investors should note that the revenue received by Australian Careers Network Group in partnership with TAFE institutes is approximately 40% lower than if the revenue is derived directly through students enrolled through its owned RTOs. Furthermore, all Victorian subsidy courses contributing to the FY15 forecast are now on scope through both the Australian Careers Network Group's owned RTOs and its TAFE partnerships. On this basis, the Directors are also of the view that a change in Government will not adversely affect the Australian Careers Network Group's ability to attain the FY2015 forecast. However, it may impact future financial periods by increasing RTO compliance costs.

2.4 Revenue Composition

The Company projects that forecast FY15 revenue and enrolments will be derived from Australian Careers Network Group's acquisition of individual students for its wholly-owned RTOs, and via its TAFE partnerships.

While both businesses (private RTO training and TAFE training) are expected to grow in FY15, the Board considers that the acquisitions of Training Experts Australia and Training Synergies which are due to settle on completion of the Offer, will assist Australian Careers Network Group in achieving a higher level of growth in the private RTO training business units than the TAFE business units. Both Training Experts Australia and Training Synergies are parties to State Government funding contracts with the Governments of New South Wales and Queensland.

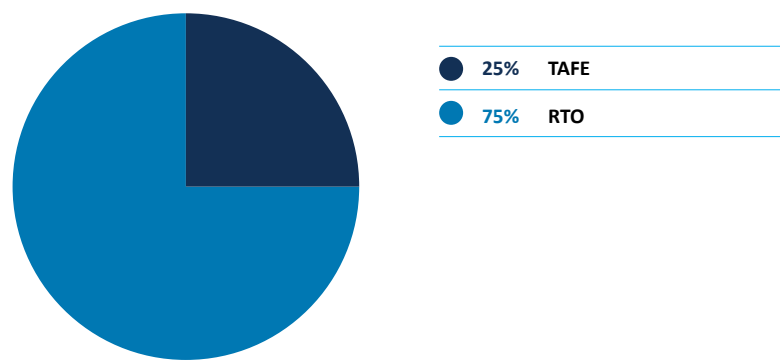
Figure 4: FY15F revenue by channel (pro-forma, RTO/TAFE split)



Source: Australian Careers Network Group.

Company Overview

Figure 5: FY15F enrolments by channel (pro-forma, RTO/TAFE split)

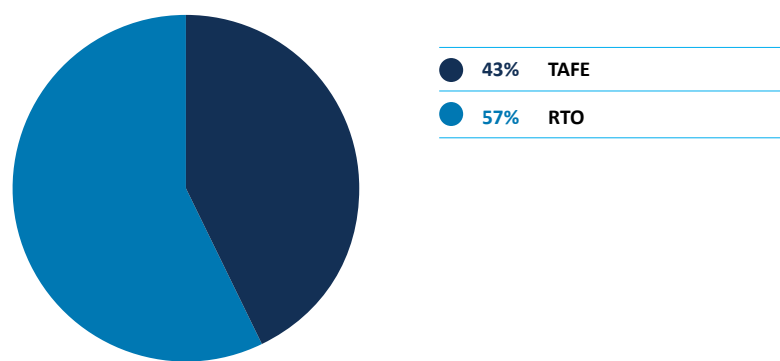


Source: Australian Careers Network Group.

Australian Careers Network Group is currently focusing on initiatives for growth in domestic student enrolments linked to fee-for-service courses, VET FEE-HELP, and increasing its international student training capability with a view to delivering international student training via CRICOS placements.

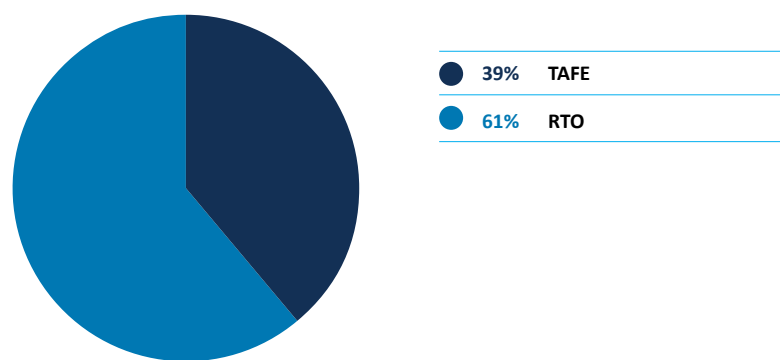
The Company considers that this focus will help to diversify revenues. By the end of FY15F the Company forecasts total revenues will have grown 68.2% to A\$56.1M.

Figure 6: FY14 revenue by channel (pro-forma, RTO/TAFE split)



Source: Australian Careers Network Group.

Figure 7: FY14 enrolments by channel (pro-forma, RTO/TAFE split)



Source: Australian Careers Network Group.

(a) Revenue concentration

Collectively, Australian Careers Network Group's TAFE partnerships are expected to account for approximately 29% of the revenue of Australian Careers Network Group in FY15. Historically, CTI engaged in a practice of auspicings students- as a result, it retained only 60% of the fees generated by these students, with the remaining 40% going to the TAFEs. Through its acquisition strategy (ie, the acquisition of bolt-on RTOs), Australian Careers Network Group will be able to increase, and has through its acquisitions to date increased, the number of courses it is able to offer, with students undertaking courses through Australian Careers Network Group's RTOs. Training students directly through owned RTOs, independent of TAFE institutes results in the Australian Careers Network Group retaining a higher proportion of the fees than under an auspicings arrangement with the TAFE institutes. As at the date of this Prospectus, the FY2015 revenue forecast derived from the Victorian Government subsidies could be achieved under the Australian Careers Network Group's owned qualification scopes. Notwithstanding this acquisition and integration strategy, Australian Careers Network Group will continue to maintain its existing relationships with TAFEs, further details of which are set out in Section 2.8.

(i) Student enrolments

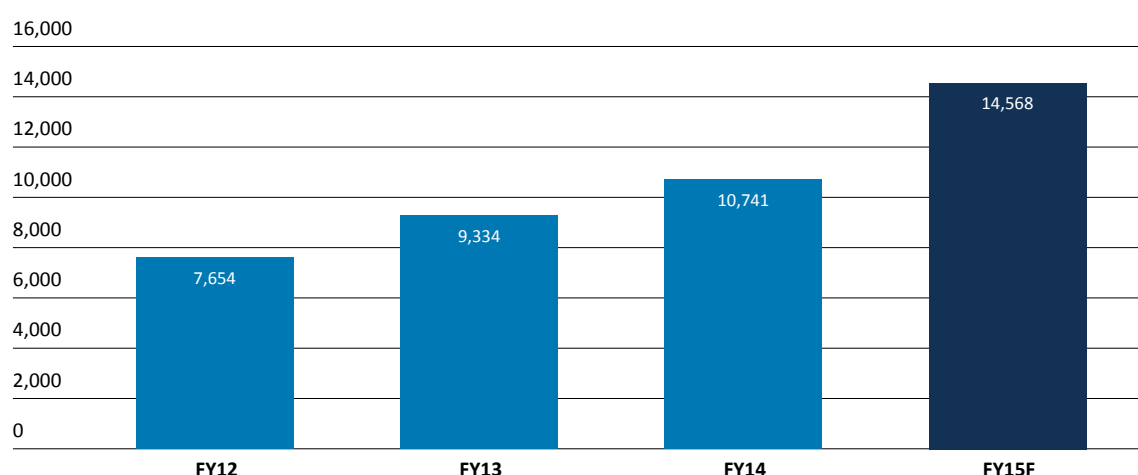
Australian Careers Network Group has enjoyed strong pro-forma student enrolment growth across all of its entities.

Pro forma enrolments in FY13 were approximately 9,300, an increase of 22% compared to FY12 with FY14 Pro forma enrolments of approximately 10,700, an increase of 15% compared to FY13, demonstrating the growth and position of Australian Careers Network Group as one of Victoria's largest private training providers. The growth in enrolments has arisen through both organic growth and strategic acquisitions.

Organic growth has been driven by expanding the scope of qualifications offered, expanding training partner relationships, growing the Australian Careers Network Group's direct marketing and business development teams, and investing in community sponsorship and support initiatives. Enrolments are forecast to grow 35.6% to 14,568² in FY15 on the basis that Australian Careers Network Group continues to execute on existing growth initiatives, such as further corporate partnership development, TAFE partnership development and general student sourcing via an expanded business development team, taking advantage of new growth opportunities, including pathways to employment and increasing its international student training capability with a view to delivering international student training.

² including Training Experts Australia and Training Synergies, the acquisition of which will be completed post the lodgement of the Prospectus and funded out of the proceeds of the Offer. A summary of the terms of the Share Purchase Agreement is contained in Section 9.2.

Figure 8: Australian Careers Network Group new course enrolments (historic pro-forma)



Source: Australian Careers Network Group.

Indicators that new course enrolment will continue to grow in the next financial year are:

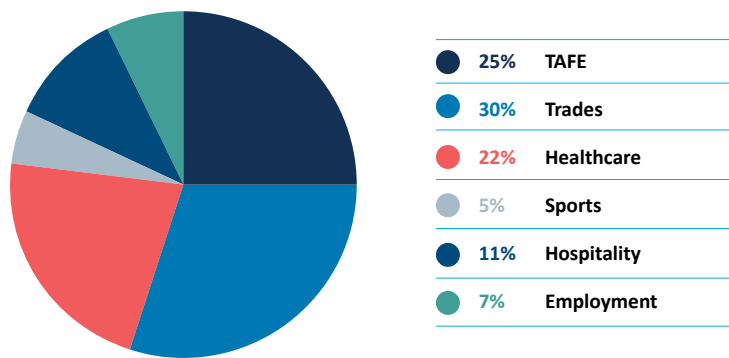
- confirmed bookings for FY15 enrolment for Australian Careers Network Group;
- the growth of Australian Careers Network Group's business development team;
- Australian Careers Network Group's commitment to new and expanded industry and community partnerships in FY15;
- Australian Careers Network Group's planned entry into CRICOS training;
- increased access to VET FEE-HELP funding for private VET providers offering diplomas, advanced diplomas and certificate IV courses; and

Company Overview

- Australian Careers Network Group’s entry into the NSW and QLD training markets through its recent acquisitions.

Australian Careers Network Group’s most popular new course enrolments in 2014 were in the areas of trade and hospitality. The Australian Careers Network Group receives significant funding from the Victorian Government for delivering training in these courses. The diagram below (Figure 10) illustrates new course enrolments by industry.

Figure 9: Australian Careers Network Group FY15 industry enrolment breakdown



Source: Australian Careers Network Group. Pro-forma FY2014.

In FY15 Australian Careers Network Group is increasing its focus on the trade-related industry, in respect of which it has attracted enrolments since inception and anticipates ongoing strong enrolment interest.

Figure 10: Australian Careers Network Group new course enrolments by industry FY14

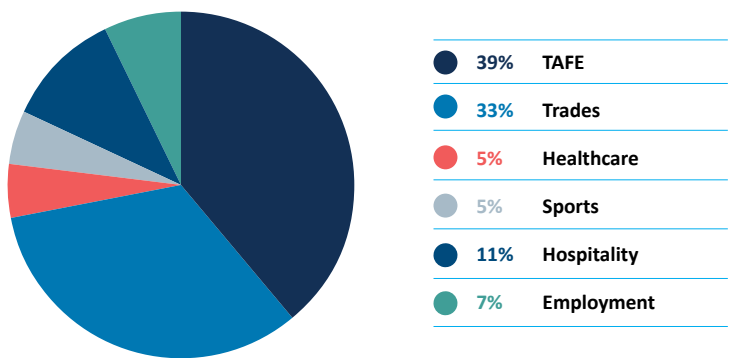
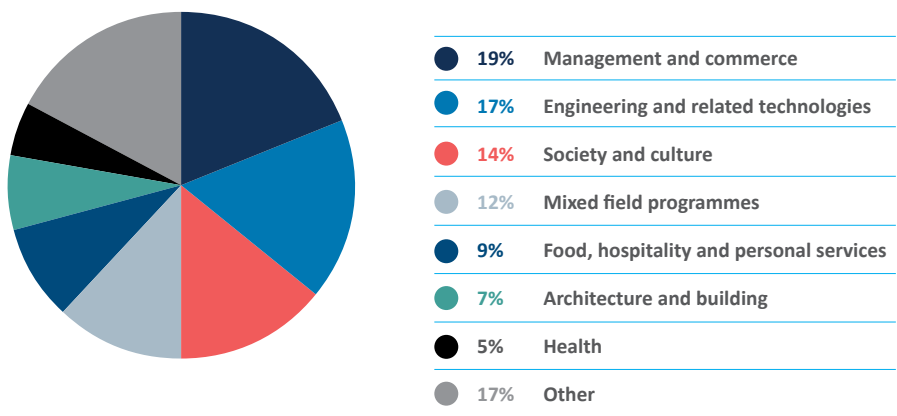


Figure 11: Australian VET market enrolments by industry (2013)



ii) Course profiles

Australian Careers Network Group delivers training and education courses through its 10³ nationally accredited RTOs (refer to Section 2.6 for further information).

Australian Careers Network Group also delivers training and education courses in partnership with multiple TAFEs and RTOs through its non-RTO entities, Community Training Initiatives and CLI Training. The partner TAFE or RTO issues the AQF qualification in its own name once the training is completed by Australian Careers Network Group (and the student successfully passes), and the services provided by Australian Careers Network Group to the TAFE or RTO partner are audited indirectly, if necessary.

Australian Careers Network Group and its partners provide 96 qualifications and license training programs with qualifications ranging from Certificate I to Advanced Diploma level across more than 10 industries. TAFE partnership courses are not included in this qualification count.

³ including Training Experts Australia and Training Synergies, the acquisition of which will be completed post the lodgement of the Prospectus and funded out of the proceeds of the Offer. A summary of the terms of the Share Purchase Agreement is contained in Section 9.2.

Figure 12: Australian Careers Network Group qualifications offered

Sectors	Number of qualifications offered	Qualification levels offered
Aged Care and Disability	4	Cert. III – Cert IV
Agriculture/Horticulture	4	Cert. III
Automotive	1	Cert. III
Business	20	Cert. II – Advanced Diploma
Engineering	2	Cert. III
Fitness/Sport	18	Cert. I – Diploma
General Education	2	Cert. I – Cert. IV
Health	11	Cert. III – Cert. IV
Hospitality	13	Cert. II – Cert. IV
Manufacturing	11	Cert. III – Cert. IV
Trade	10	Cert. III – Cert. IV
Total	96	

Source: Australian Careers Network Group.

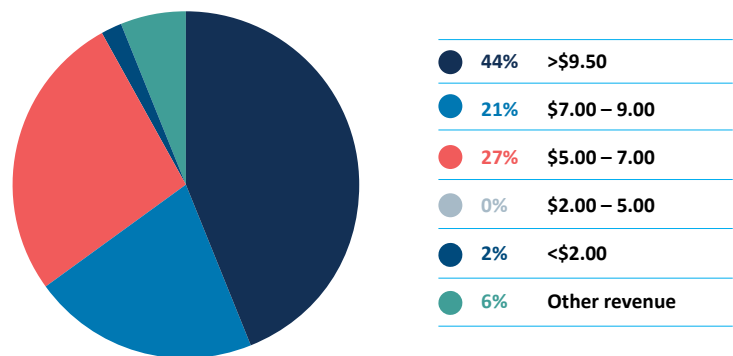
1. Sector categories include the following: **Aged Care and Disability**: Children Services, Disability, Aged Care, Community Services and Home and Community Care; **Automotive**: Heavy Commercial Vehicle Mechanical Technology, Mobile Plant Technology, Automotive Body Repair Technology, Light Vehicle Mechanical Technology; **Engineering**: Civil Construction, Building, Mechanical, Fabrication, Surface Extraction; **General Education**: Understanding and Management of Diabetes, English Second Language, Work Education, Training and Assessment; **Health**: Health Services Assistance, Nutrition, Massage; **Hospitality**: Retail Bakery Combined, Food Processing, Retail Services/Operation/Management; **Manufacturing**: Cabinet Making, Polymer Processing, Competitive Systems and Practices, Process Manufacturing, Flooring Technology; **Professional Courses**: Business, Customer Contact, Administration, Work Health and Safety, Management, Sales; **Trade Courses**: Construction, Shopfitting, Roof Tiling, Construction Waterproofing, Building and Construction, Bricklaying/Blocklaying, Carpentry, Concreting, Wall and Ceiling Lining, Painting and Decorating, Solid Plastering, Wall and Floor Tiling, Warehousing Operations, Driving Operations; **Horticulture and Animal Services**: Forest Growing and Management, Harvesting and Haulage, Sawmilling and Processing, Sawdoctoring, Animal Studies, Companion Animal Services, Horticulture, Arboriculture, Conservation and Land Management, Parks and Gardens, Landscape Construction; **Fitness and Sport**: Sport and Recreation, Fitness, Coaching, Aquatics, Outdoor Recreation, Community Activities, Sport Development.

Australian Careers Network Group specialises in construction, manufacturing, transport and logistics industry training, which corresponds with the Victorian Government's highest funding priorities (see the figure below), as well as aged care and disability which remains a steady source of labour demand.

Figure 13 illustrates that 44.5% of revenue is derived from qualifications attracting a subsidy of at least \$9.50 per hour, and approximately 66% of revenue is derived from qualifications attracting a subsidy of at least \$7.00 per hour.

Company Overview

Figure 13: Australian Careers Network Group revenue derivation by funding rate



Source: Australian Careers Network Group, www.education.vic.gov.au.
NB: Indicative subsidy range based on standard hours of courses.

(b) Revenue markets


Australian Careers Network Group derives revenue from both corporate clients and the training of private students.

Whereas training private students results in a direct acquisition cost and involves the recruitment of students individually or in small groups, corporate training is usually initiated via a partnership, joint venture agreement or contract and results in larger group training exercises, in some cases over a multi-year period.

Both markets attract State Government subsidies and funding, and both require contextualised, outcomes-focussed training.

Corporate contract training typically involves up-skilling existing employees in roles where they currently undertake similar responsibilities, preparing new employees for their assigned role, or assisting an employee to transition into a new role. This contrasts with individual student training where typically the student is seeking to increase his or her skillset to obtain initial employment, or to change employment or industry.

CORPORATE CASE STUDY: PREMIER FRUITS GROUP



Premier Fruits Group (PFG) is a national group of companies that have been providing quality fresh fruits and vegetables to Australia for over 50 years. The company’s operations range from sustainable farms in Australia’s best growing regions to warehousing and distribution centres in each capital city.

PFG’s commitment to quality supply chain management and innovation lead to the establishment in 2014 of a partnership with CTI to deliver qualifications in Certificate III, Food Processing.

CTI’s ability to deliver flexible training outcomes means its trainers were able to meet PFG’s key requirement of onsite Victorian and interstate training, in some cases across multiple sites for a single training program.

The training outcomes delivered by CTI are expected to result in productivity benefits for PFG, and CTI will continue to grow the relationship through 2015.

CORPORATE CASE STUDY: ONE OF AUSTRALIA’S MOST SUCCESSFUL AUSTRALIAN BUILDERS

This successful Australian builder has been creating and building innovative and quality homes for decades, with a focus on delivering a product that customers truly love.

With over 5,000 staff and subcontractors, the company believes the quality of its product is only as good as its employees, a core value shared by ACN Group subsidiary Community Training Initiatives (CTI).

In 2014 CTI joined forces with the company on a new joint venture to upskill their people. The joint venture will deliver a co-branded training academy serving a range of construction qualifications, which have been a core pillar of CTI’s education platform since incorporation.

The comprehensive training and assessment operation will certify successful trainees as accredited builders and staff, assisting the company to continue to meet its own rigorous quality standards as the company expands beyond its current scale.

CTI’s broad qualification scope and extensive experience in delivering highly tailored training solutions were key attraction points for the company in establishing the joint venture. Initial training will commence in the final quarter of 2014.

2.5 Growth Opportunities and Strategies

(a) Organic growth

(i) Opportunities to grow business with existing TAFE partners

As Australian Careers Network Group proposes to increase the size of its business development team over the coming 12 months, the opportunity to increase the scale of business with its existing TAFE partners will also increase.

As a result, Australian Careers Network Group will need to increase the number of trainers to deliver a broader range of courses, some of which the TAFEs already have on scope, but currently lacks both the human capital to deliver the courses and student numbers to justify the engagement of a trainer.

(ii) Opportunities to expand the TAFE partners list geographically

Currently, the Australian Careers Network Group primarily operates in Victoria, with some exposure in Queensland and NSW through recently acquired RTOs. The Australian Careers Network Group is currently considering opportunities to expand its operations to a greater scale in other States, particularly New South Wales and Queensland.

Due to different employment award contracts, Australian Careers Network Group believes that its ability to deliver training at lesser cost than a TAFE presents an attractive proposition for TAFEs as they attempt to reduce their costs and maintain quality.

(iii) International student training through CRICOS

Australian Careers Network Group is currently focused on increasing its capability to offer international student training places. Increased scrutiny of student visa applications, a high Australian dollar and the collapse of a number of registered providers have resulted in a decrease in international student enrolments. This in turn led to a number of CRICOS-registered institutions in Australia experiencing a significant decline in international student enrolments.

Recent changes to visa laws and an improving economic climate resulted in a recovery in overall international student enrolment numbers in 2013. Accordingly, Australian Careers Network Group has identified that this is an opportunity to grow the business.

Investing in and growing international student training has a two-fold benefit for Australian Careers Network Group. Firstly, it has a direct positive impact on revenue and, in particular, revenue derived from fee-for-service sources and, secondly it requires a wider range of courses being offered, which increases the diversity of Australian Careers Network Group.

(iv) Community Employment Initiatives

Community Employment Initiatives is a wholly owned subsidiary of ACN that bridges the gap between training and employment. Working in concert with Job Services Australia, the Australian Government's employment services system, Community Employment Initiatives works to find jobs for unemployed trainees. As this is the desired outcome for Job Services Australia (or its representative agency in partnership with the Australian Careers Network Group), it directs a portion of its unemployed caseload to Australian Careers Network Group for training.

(v) Online course delivery

Australian Careers Network Group is currently exploring opportunities for developing and implementing its own online education platform. A high proportion of its qualification course material is already approved for distribution online. Australian Careers Network Group believes that internally directing the creation of a platform is important for developing the most effective tool for the online education of its students.

Australian Careers Network Group considers that online education has the potential to contribute positively to Australian Careers Network Group margins due to its lower cost-to-serve model. Australian Careers Network Group is currently focused on delivering outcomes in terms of completion rates (which are often lower for online course delivery platforms than face-to-face methods) and quality of education and training outcomes.

(vi) Demand driven funding model adoption

The adoption of a demand driven funding model in Victoria has been a key driver of Australian Careers Network Group's success in driving funded revenue growth.

As Queensland and New South Wales move to demand driven funding models in 2014 and 2015 respectively, Australian Careers Network Group will seek to replicate its success in Victoria in each of those States. In this regard, Shareholders should note that the demand driven funding model in Queensland and New South Wales is not as generous as that of Victoria. However, Australian Careers Network Group would be well positioned to benefit should the demand driven funding model be adopted in Queensland and New South Wales.

Australian Careers Network Group's model of 'auspicing' for TAFE institutes in Victoria is yet to be similarly widely adopted in Queensland and New South Wales, although Australian Careers Network Group anticipates that TAFE institutes in Queensland and New South Wales will follow the Victorian model.

Company Overview

(b) **Acquisitive growth**

Australian Careers Network Group has identified a number of potential acquisition opportunities in the VET sector to explore in the near future. The fragmented nature of the sector lends itself to further consolidation, particularly in the context of an evolving funding and regulatory landscape, where compliance costs for smaller participants can become difficult to service. These acquisitions could take the form of:

- (i) Interstate RTOs with established brands that lack either the scale or resources to expand an already successful enterprise;
- (ii) RTOs with established CRICOS positions in order to take advantage of a recovery in international student demand;
- (iii) RTOs with qualifications outside of Australian Careers Network Group’s current qualification set and where a profitable training opportunity has been identified;
- (iv) RTOs with a substantial student base; or
- (v) RTOs in targeted growth States such as Queensland or New South Wales.

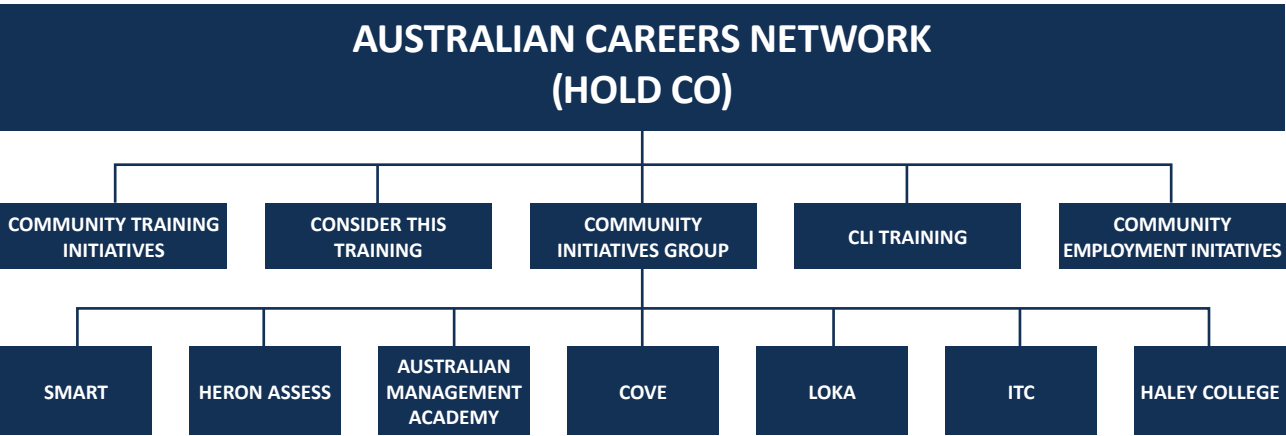
Australian Careers Network Group has already successfully settled 10⁴ acquisitions since incorporation, and management’s approach to identifying, auditing and valuing such opportunities is well established.

4 including Training Experts Australia and Training Synergies, the acquisition of which will be completed post the lodgement of the Prospectus and funded out of the proceeds of the Offer. A summary of the terms of the Share Purchase Agreement is contained in Section 9.2.

2.6 Business entities

The diagram below (Figure 14) illustrates the corporate structure of Australian Careers Network Group. Below the diagram is a brief summary of the operating entities of Australian Careers Network Group.

Figure 14: Australian Careers Network Corporate Structure



Source: Australian Careers Network Group.

Community Training Initiatives and CLI Training

Both Community Training Initiatives and CLI Training are non-registered training providers that sub-contract VET services to public and private third party RTOs. Ostensibly both entities perform the same functions, with Community Training Initiatives extending its shared services platform and other operating services to CLI Training.

Community Employment Initiatives

Community Employment Initiatives provides a pathway to training and employment for the unemployed by partnering with employment agencies, disability services and related providers. A relatively new enterprise, Community Employment Initiatives' primary relationship is with Job Services Australia (JSA), the Commonwealth Government's employment services agency. Community Employment Initiatives works with the unemployed to identify suitable qualification opportunities for gaining employment, and once studies are completed, leverages off CTI's corporate and partner relationships to secure employment for candidates. For this, Community Employment Initiatives receives a placement fee.

Community Initiatives Group

Community Initiatives Group is the holding entity of its recently acquired RTOs, COVE Training, SMART, Heron Assess, Haley College and Australian Management Academy. Community Initiatives Group has also entered into an agreement to acquire Training Experts Australia and Training Synergies. Refer to Section 9.2 for a summary of the agreement. Otherwise it has no operations.

Consider This Training

Consider This Training is a RTO (RTO No. 21883) and is accredited and audited by VRQA.

Prior to the incorporation of ACN, the shares in each of Community Training Initiatives, CLI Training, Consider This Training, Community Employment Initiatives and Community Initiatives Group were beneficially indirectly held by Ivan Robert Brown and Prakash Charan. Immediately prior to the issue of this Prospectus, the shares in each of these entities were transferred to ACN in consideration for the issue of Shares in ACN.

RTOs

Set out below are details of the remaining entities in Australian Careers Network Group's which comprise recently acquired RTOs.

(a) COVE Training

COVE Training is a group of companies comprising COVE, Loka and ITC.

COVE is a RTO (RTO No. 21386) and is accredited and audited by ASQA, WorkSafe Victoria, VicRoads and Electrical Safety Victoria.

Loka operates the business known as "Emeritus Education and Training" which is currently registered as a RTO (RTO No. 22422) and is accredited and audited by ASQA. Loka (trading as Emeritus Education and Training) is currently registered as CRICOS provider 03244M.

ITC is registered as a RTO (RTO No. 4947) and is accredited and audited by ASQA. ITC is currently registered as CRICOS provider 02518J.

(b) Consider This Training

Consider This Training is a RTO (RTO No. 21883) and is accredited and audited by VRQA.

(c) Australian Management Academy

Australian Management Academy is a RTO (RTO No. 21621) that is accredited and audited by ASQA.

(d) SMART

SMART is a RTO (RTO No. 3910) that is accredited and audited by ASQA.

(e) Heron Assess

Heron Assess is a RTO (RTO No. 22281) and is accredited and audited by VRQA.

(f) Haley College

Haley College is a RTO (RTO No. 20941) and is accredited and audited by VRQA.

The primary operating entities in terms of volume of enrolments and the details of those entities are set out in Figure 15:

Separately, Australian Careers Network Group is acquiring Training Experts Australia and Training Synergies pursuant to the Share Purchase Agreement, a summary of which is contained in Section 9.2.

Company Overview

Figure 15: Australian Careers Network Group Key Brands

					
Regular registration	<ul style="list-style-type: none"> TAFE partner regulated – all ASQA 	<ul style="list-style-type: none"> ASQA, DEEWR, Worksafe VIC, WorkCover VIC, VicRoads, VCGLR & ESV 	<ul style="list-style-type: none"> VRQA 	<ul style="list-style-type: none"> ASQA 	<ul style="list-style-type: none"> ASQA
State funding contract	<ul style="list-style-type: none"> Partner provided 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> Yes
Key industries	<ul style="list-style-type: none"> Aged care & disability Home & community care Automotive Engineering General education Health Hospitality Manufacturing Business Building & construction 	<ul style="list-style-type: none"> Transport/trucking Earthmoving WorkSafe Various short courses 	<ul style="list-style-type: none"> Aged care & disability Home & community care Health Children's services Business 	<ul style="list-style-type: none"> Aged care & disability Home & community care Business Management Work health & safety Training & assessment Building & construction 	<ul style="list-style-type: none"> Building & construction Cleaning Management Transport & logistics Food processing Manufacturing Sports careers Automotive Retail Business & administration Work health & safety Hospitality
RTO and training facility locations	<ul style="list-style-type: none"> Spotswood Docklands 	<ul style="list-style-type: none"> Seaford Cranbourne West Pakenham Cranbourne 	<ul style="list-style-type: none"> Melbourne Pakenham Preston Epping 	<ul style="list-style-type: none"> New South Wales, Queensland and Victoria 	<ul style="list-style-type: none"> New South Wales, Queensland and Victoria
Operation established	<ul style="list-style-type: none"> 2012 	<ul style="list-style-type: none"> 2004 	<ul style="list-style-type: none"> 2007 	<ul style="list-style-type: none"> 1997 	<ul style="list-style-type: none"> 2006

Source: Australian Careers Network Group.

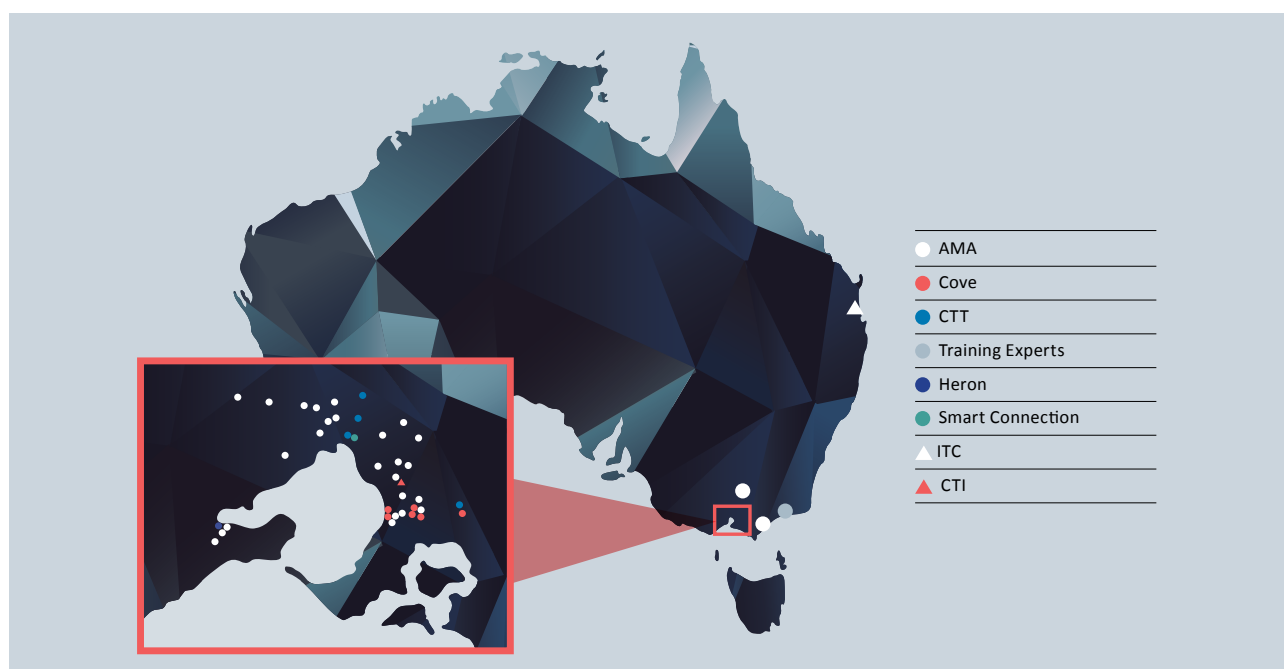
2.7 Geographic Presence and Training Locations

Australian Careers Network Group operates RTOs in Victoria, Queensland and New South Wales. Prior to the commencement of FY15, operations were solely in Victoria.

The Australian Careers Network Group delivers courses through 10⁵ RTO facilities with over 40 training locations, as well as on-campus at partner TAFE institutions and temporary training venues. Australian Careers Network Group also offers on-the-job course delivery and training as part of its corporate training package.

⁵ including Training Experts Australia and Training Synergies, the acquisition of which will be completed post the lodgement of the Prospectus and funded out of the proceeds of the Offer. A summary of the terms of the Share Purchase Agreement is contained in Section 9.2.

Figure 16: Australian Careers Network Group training locations



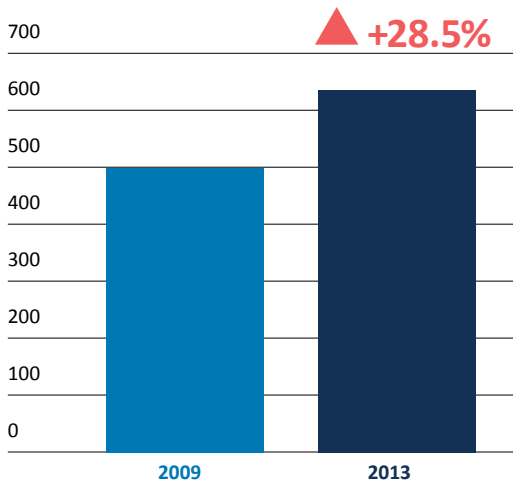
Source: Australian Careers Network Group.

Australian Careers Network Group's strong foundation and established cash flows in Victoria provide a solid base from which Australian Careers Network Group can leverage to expand into other States and Territories. In particular, Australian Careers Network Group would be well placed to benefit from the implementation of demand-driven funding models in other States and Territories (refer to Section 3.5 for more information on the transition to demand-driven funding models).

Figures 17 and 18 demonstrates the effect of the implementation of the demand – driven funding model in Victoria and South Australia, the first two States to implement the demand-driven system. The resulting increase in the number of student enrolments is evident from the following diagram.

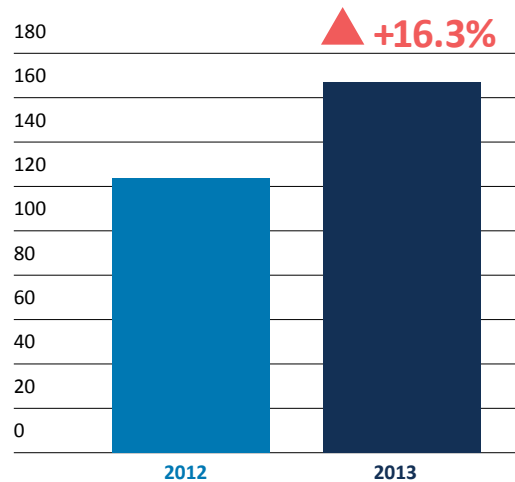
Company Overview

Figure 17: VIC VET enrolments



Source: NCVER.

Figure 18: SA VET enrolments



Source: NCVER.

2.8 TAFE partnerships

Community Training Initiatives partners (as a sub-contractor) with three key TAFE institutes to deliver on-campus training and education courses. With the exception of Chisholm Institute (as discussed below), each of these arrangements has been in place for 2 years, with an annual contract renewal.

Community Training Initiatives considers the following strategic points in its engagement with the TAFE sector:

- its sustainably lower cost base enables it to negotiate course delivery for TAFE institutes where qualifications might otherwise have to be rationalised; and
- it is one of few third party training providers of scale enabling TAFE enrolments

The Board is aware that the current Labor Opposition in Victoria is proposing to undertake a review of VET funding if it wins the upcoming election. At the date of this Prospectus, the Board is not aware of the terms of the review or the details of any changes to the current funding arrangements. However, the Board notes that if this review is undertaken by the Labor Government (if it is successful), it will be headed by Bruce McKenzie, currently a Non-executive Director of ACN, who will resign as a Director in order to undertake that role and avoid any perceived conflict of interest. In addition, a Commonwealth Government Senate enquiry was approved on 24 November 2014. Its terms of reference include examination of private sector access to public funds; regulatory regimes governing the sector; the VET FEE-HELP scheme; the overall quality of education provided; associated learning requirements; and graduate outcomes for those completing training with private providers. This enquiry contributes to uncertainty about the future of private colleges operating in the sector in which ACN operates and therefore ACN's future.

Each of Community Training Initiatives' partner TAFEs is registered with ASQA (as opposed to the VRQA). These arrangements include:

- (a) Kangan Institute: was the 3rd largest Victorian TAFE by student enrolments in FY13. Community Training Initiatives conducts a range of automotive, trade and construction courses for Kangan Institute. The contract between Community Training Initiatives and Kangan Institute has been renewed twice since it was entered into in 2012 and Community Training Initiatives has been approved by HESG to deliver training for Kangan Institute through to FY15. Community Training Initiatives is currently engaged in discussions with Kangan Institute to expand the training services offered by Community Training Initiatives for FY15 and going forward.
- (b) Chisholm Institute: was the 2nd largest Victorian TAFE by student enrolments in the 2013 calendar year. Community Training Initiatives conducts a range of trade and construction courses for Chisholm Institute. The contract in place expires on 31 December 2014. No revenues had been forecast from Chisholm Institute beyond this date. On 7 November 2014, ACN was notified by Chisholm Institute that ACN had breached a term of the contract by including statements in relation to the Chisholm Institute in the replacement prospectus dated 4 November 2014 and that Chisholm Institute was considering its position in this regard. At the date of this Prospectus, ACN has not received further correspondence from Chisholm Institute in this regard.
- (c) Goulburn Ovens Institute: was the 10th largest Victorian TAFE by student enrolments in FY13. Community Training Initiatives conducts a range of automotive, engineering, trade, construction and hospitality courses for Goulburn Ovens Institute. The contract between Community Training Initiatives and Goulburn Ovens Institute has been renewed twice since it was entered into in 2012

and Community Training Initiatives has been approved by HESG, to deliver training through to FY15. Community Training Initiatives is currently engaged in discussions with Goulburn Ovens Institute to expand the training services offered by Community Training Initiatives for FY15 and going forward.

2.9 Compliance and Systems

The VET sector is highly regulated in Australia.

The national regulator is ASQA. Some States, such as Victoria and Western Australia, have elected to retain their existing regulatory oversight bodies (VRQA and the Western Australian Training Accreditation Council, respectively).

In the case of Victoria and Western Australia, ASQA has regulatory oversight of RTOs which are based in Victoria and Western Australia but have operations interstate, or offer CRICOS training places.

RTOs pay a nominal annual fee to ASQA based on the number of qualifications and units of competency offered, capped at a maximum of A\$10,370 until FY15. The fee has historically been designed to provide full cost recovery for ASQA over time. There is a risk that this fee could increase in the future. However the fee has been frozen by the Commonwealth Government for FY15.

Compliance

While most of Australian Careers Network Group's RTOs hold registered status with ASQA, Consider This Training is registered with VRQA.

The majority of the Australian Careers Network Group's RTOs have their own State funding contract in place, each with a term of between one and three years.

Australian Careers Network Group's Head of Education and Compliance is responsible for ensuring the RTOs meet all regulatory requirements. The Head of Education and Compliance is assisted by a General Manager (and team) who also ensure quality standards are met in course delivery and student outcomes.

Australian Careers Network Group's unregistered training providers, Community Training Initiatives and CLI Training, are subject to both internal and external audits for regulatory compliance on an ongoing basis, by both Australian Careers Network Group's audit team and as part of their service delivery to major TAFE training partners. All trainers employed by Australian Careers Network Group are compliant with ASQA requirements.

Australian Careers Network Group engages the same auditors as VRQA and HESG to conduct its own regular internal audits to ensure ongoing compliance with regulatory policies for student enrolment, course delivery, course content, and all related information submissions to the relevant regulatory bodies.

This significantly reduces incidences of non-compliance and has a positive effect on the amount of Government funding Australian Careers Network Group receives - non-compliance can result in Australian Careers Network Group being required to repay in full amounts of previously accrued training subsidies to the Government with little recourse for appeal.

Figure 19: RTO registration details

RTO	Registrar	Registration expiry
Heron Assess	VRQA	30 April 2019
Centre of Vocational Education	ASQA	22 October 2018
Training Experts Australia*	ASQA	13 November 2017
International Training College	ASQA	20 May 2017
Consider This Training	VRQA	31 December 2016
Training Synergies*	ASQA	14 March 2016
Haley College	VRQA	30 September 2015
Australian Management Academy	ASQA	31 August 2015
Loka Enterprises	ASQA	31 August 2015
Smart Connection Company	ASQA	31 January 2015

Source: Australian Careers Network Group, training.gov.au.

* Being acquired under the Share Purchase Agreement, a summary of which is contained in Section 9.2.

Company Overview

Systems

Australian Careers Network Group is currently transitioning to a single shared services platform for all client-facing and back office functions. Through this transition, dual systems are currently being run until existing students whose enrolments were recorded on the old system have completed their studies. All new enrolments will be entered, processed and managed on the new Axcelerate system, to ensure that there is no data leakage during the transition. As part of this system transition, Australian Careers Network Group is also implementing the accounting package Xero™ across all operating entities.

2.10 Financing arrangements

ACN is presently engaged in discussions with a number of financial institutions with a view to obtaining a debt facility of between \$30-50 million for the purpose of funding potential acquisitions following completion of the Offer under this Prospectus. ACN proposes to finalise the debt facility after completion of the Offer.

The forecast financial information included in this Prospectus does not include any assumptions in relation to securing such future financing facilities. To the extent that the Company is able to satisfactorily negotiate a debt facility as outlined above, any drawdowns of that facility will only be made for the acquisition of earnings accretive businesses such that the financial performance of such acquisitions is expected to exceed the servicing costs of the facility and improve the overall performance of the Australian Careers Network Group.

Notwithstanding the Company's proposal in respect of the debt facility, the Directors are of the opinion that, following completion of the Offer, ACN will have enough working capital to carry out its stated objectives.

2.11 Share structure

The current share structure of ACN is as follows (ultimate owners or controllers are shown for Directors and executives):

Shareholder	Number of Shares	% shareholding
IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (Ivan Robert Brown)	24,944,445	33.31
Prakash Charan	24,944,445	33.31
Peter Cage	111,110	0.15
Pre-IPO Shareholders	24,895,833	33.24
Total	74,895,833	100

There are 1.5 million Options on issue. The Options have an exercise price of \$4.20 per Option and expire in October 2017.

Ivan Robert Brown and Prakash Charan are the founders of a number of companies in the Australian Careers Network Group. Consequently, they are the major shareholders of ACN. Increasingly, the driving force behind the business has been Ivan Robert Brown with the role of Prakash Charan becoming more limited over time. The Offer is seen as an opportunity for Prakash Charan to exit the business and, accordingly, Prakash Charan is selling down 21,500,000 Shares under the Offer. This exit is not expected to adversely impact the Australian Careers Network Group as Prakash Charan was primarily involved in sales and his role was reduced in 2013. He has since not undertaken a significantly active role in the Australian Careers Network Group. Prakash Charan has agreed to a restraint preventing him from competing with the business. Details of this restraint are set out in Section 9.4. There is no current agreement with Prakash Charan for him to provide an advisory role in the Australian Careers Network Group going forward.

The proposed changes to the capital structure consequent upon the issue of this Prospectus are as follows:

Shares	Subscription	
	Number	%
Shares on issue as at the date of this Prospectus	51,719,362*	61.78
Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust under this Prospectus	1,676,471	2.00
Shares to be transferred from Prakash Charan under this Prospectus	21,500,000	25.68
Shares to be issued under this Prospectus	8,823,529**	10.54
Total Issued Shares on completion of the Offer	83,719,362	100

* Excludes 1,676,471 Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and 21,500,000 Shares to be transferred by Prakash Charan under this Prospectus.

** Includes 29,412 Shares to be issued to Craig Chapman in accordance with the terms of this appointment as a Non-executive Director. Refer to Section 7.1.

With a substantial ownership of the business by management and the Board, the Existing Shareholders are highly motivated to drive the success of the business.

Upon completion of the Offer, the capital structure of ACN will be as follows:

Shareholder	Subscription	
	Number of Shares	%
IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (Ivan Robert Brown)	23,267,974	27.78
Prakash Charan	3,444,445	4.11
Other Existing Shareholders	24,618,054	29.45
New investors under this Prospectus	32,000,000	38.20
Advisors to the Company	388,889	0.46
Total	83,719,362	100

* Includes seed investors who subscribed for convertible notes in ACN which were converted into Shares prior to the lodgement of this Prospectus and on completion of the acquisition by ACN of each of CTI, CLI Training, CTT, CEI and CIG. (Refer to Section 2.1)

There are 1.5 million Options on issue. The Options have an exercise price of \$4.20 per Option and expire in October 2017.

Investors should note that the Underwriter may elect to apply for Shares under the Offer.

Company Overview

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Industry overview



3

Industry Overview

3.1 The Australian Tertiary Education Sector

Australia's tertiary education system consists of both government (public) and private providers, which are classified as either Higher Education (a body recognised under the law of the Commonwealth of Australia or a State or Territory) or VET (vocational education and training) providers. The latter can be registered by the State and Territory Governments, or the Commonwealth.

Figure 20: Overview of Australia's tertiary education industry

TERTIARY EDUCATION INDUSTRY			
HIGHER EDUCATION		VOCATIONAL EDUCATION & TRAINING	
Providers	Qualifications	Providers	Qualifications
Universities	Doctoral Degree	TAFE colleges	Vocational Graduate Diploma
Theological colleges	Master's Degree	Private RTOs	Vocational Graduate Certificate
Specialty private providers	Graduate Diploma	Some universities	Associate Degree
Some TAFE colleges	Graduate Certificate	Non-accredited training providers	Advanced Diploma
	Bachelor Degree		Diploma
	Associate Degree		Certificate I-IV
	Advanced Diploma		
	Diploma		

Source: education.gov.au, Australian Careers Network.

In 2013 the Australian tertiary education sector had 1.3 million enrolments in Higher Education (growth of 4.5% from 2012), and 1.9 million enrolments in the VET sector (a decline of 3.4% from 2012). Excluding TAFEs, private institution VET enrolments grew 6.2% in 2013. Total Commonwealth Government expenditure on tertiary education was A\$29.1 billion in 2013 (an increase from A\$27.4 billion in 2012), with A\$2.1 billion allocated to VET funding (an increase from A\$2.03bn the prior year). Total State and Local Government funding of tertiary education was A\$52.9 billion in 2013 (an increase from A\$51.0³ billion in 2012), of which A\$6.6 billion was allocated to VET funding (an increase from A\$6.4 billion in 2012).

While Higher Education and VET address different ends of the same education spectrum, there are overlaps in qualification scopes with both operating under the policy for regulated national qualifications as determined by the Australian Qualifications Framework.

Operationally the VET sector tends to deliver shorter-form, functionally-based education and training (such as apprenticeships, traineeships and work skills) packages, while Higher Education courses are typically more academic and theoretical in nature, and have a longer duration.

3.2 The VET Sector

VET bridges the final years of secondary school and undergraduate level Higher Education, but also provides an alternative to the latter as a path for tertiary education. It incorporates entry level training – including apprenticeships, traineeships, and basic literacy, numeracy and work skills; advanced vocational training – and training for paraprofessionals, and Diploma and Advanced Diploma courses.

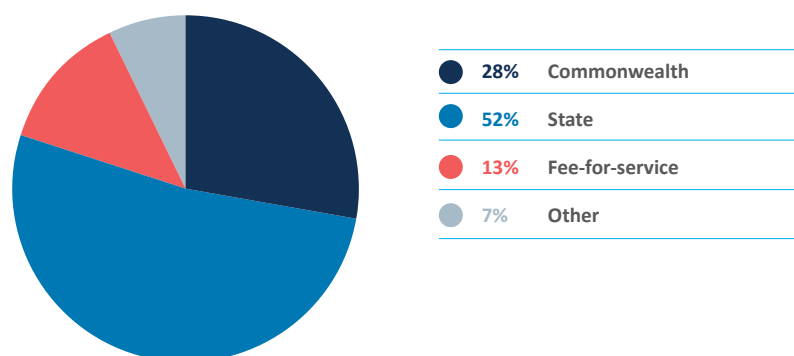
It is an essential component of the Australian tertiary education system and plays a pivotal role in delivering training to further employment-related skills and qualifications across a broad range of occupations, providing participants with the skills to enter the labour force, apply for a new job or to improve skills for an existing job.

Accredited qualification outcomes are delivered by TAFE institutes, private RTOs, and private non-accredited education and training organisations in partnerships with TAFE colleges and RTOs.

3.3 VET Sector Revenues and Funding

The VET sector primarily derives its revenue from Commonwealth and State funding measures, with the balance being derived from fee-for-service. Total sector revenues grew to A\$8.8 billion in 2012 (5.1% growth on 2011), with a three year compound annual growth rate of 5.7% to 2012.

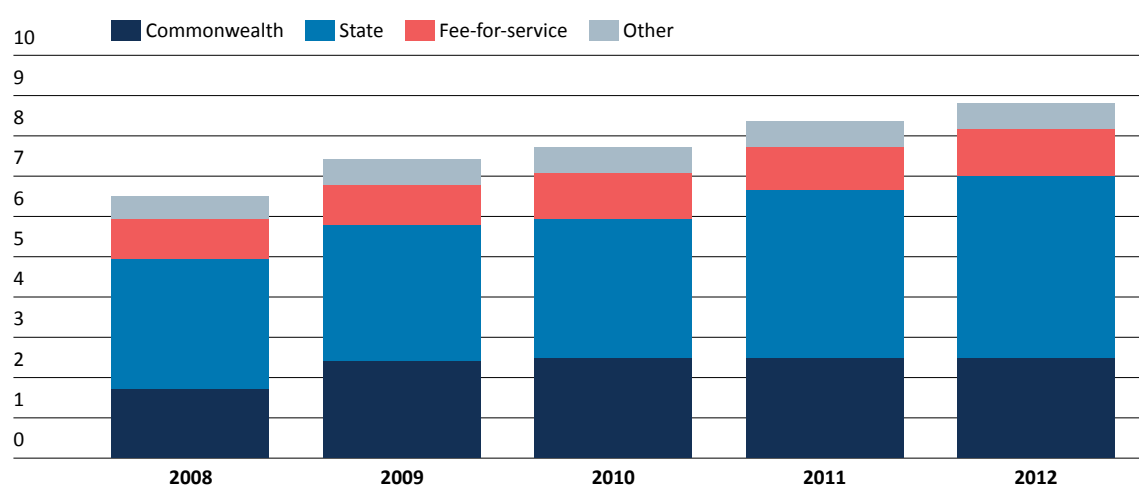
Figure 21: VET sector revenue sources



Source: NCVER (2012), Australian Careers Network.

Other: Student fees and charges.

Figure 22: Historic VET revenue (A\$bn)



Source: NCVER, Australian Careers Network.

Other: Student fees and charges.

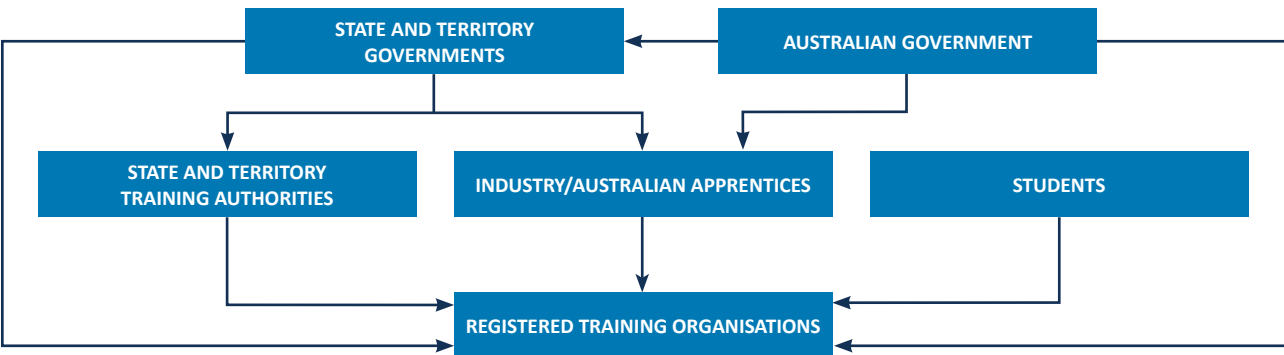
3.4 Funding flows within the VET system

State and Territory governments provide funding to VET providers (RTOs and TAFEs), students and employers through State and Territory training authorities, to support the delivery of training, improve student services and provide incentives for employers and apprentices.

RTOs also receive revenue from individuals and organisations for fee-for-service programs, ancillary trading revenue and other operating revenue.

Industry Overview

Figure 23: Primary funding flows within the VET system



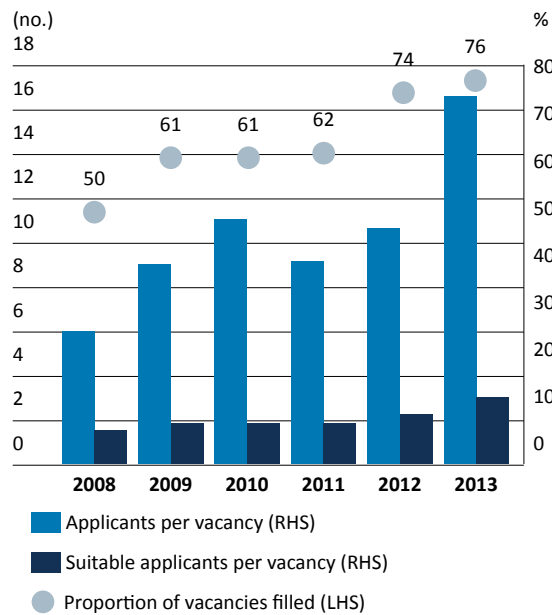
Source: NCVER, Australian Careers Network.

3.5 Addressing the Skilled Labour Shortage

Historically, an urgent need to address both a significant national skilled labour shortage and the quality of training in Australia was identified by the Commonwealth and State Governments in conjunction with industry.

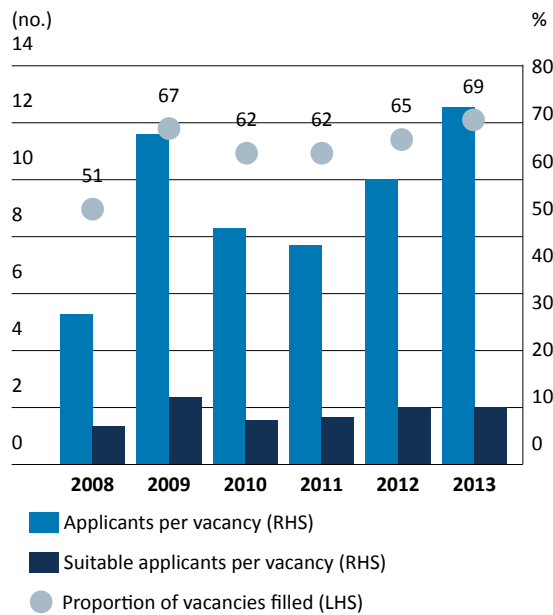
Figures 24 and 25 illustrate that employers in professions (education, health, business, etc), and trades and technicians were only able to fill available job vacancies at rates of 50%⁷ and 51%⁷ respectively in 2008.

Figure 24: Professions vacancies



Source: Department of Employment.

Figure 25: Trades/technicians vacancies



Source: Department of Employment.

Accordingly, at the 2009 COAG (Council of Australian Governments) meeting the Commonwealth, State and Territory Governments ratified an agreement (the National Agreement for Skills and Workforce Development) on skills reform designed to increase VET course enrolments, improve labour productivity and lift the quality of national training to address the national skilled labour shortage.

This was to take effect through a shift from the historic funding model of planned purchasing arrangements (under which where State Governments would obtain advice about the likely growth in labour demand in sectors and would purchase a finite number of training places from TAFE institutions and pre-approved private training providers using a finite budget allocation) to an uncapped, entitlement-based (ie. market-based or demand-driven) system. This meant that student choice of training provider (TAFE or private RTO) now dictated the allocation of subsidy funds by the Government.

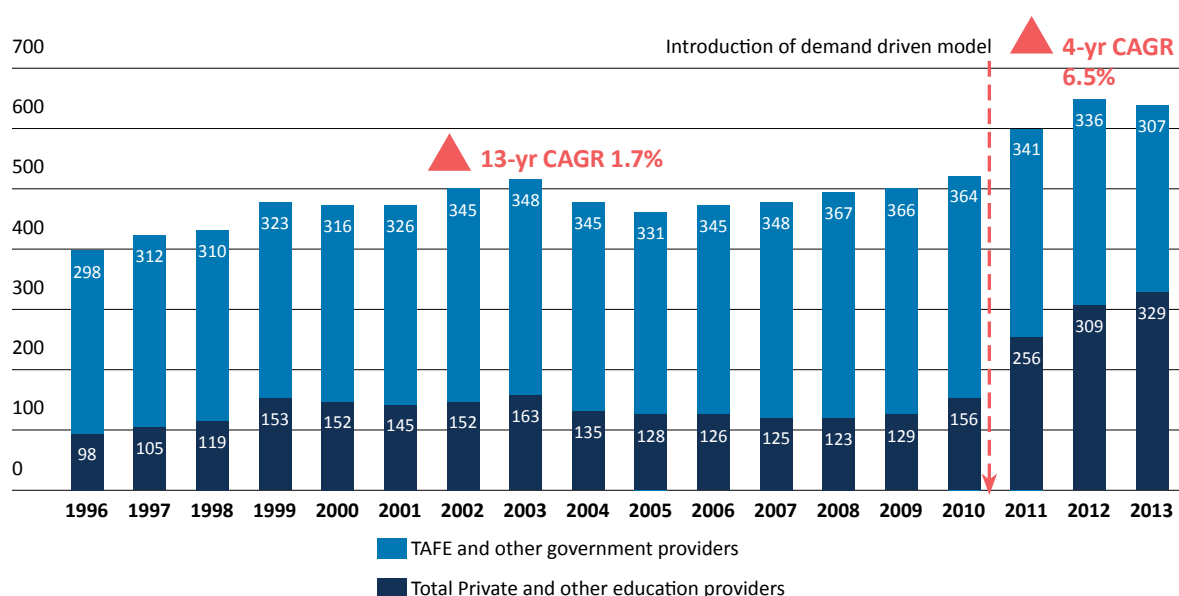
This enabled private RTOs to compete on a level playing field with publicly-owned TAFE colleges for a share of Government funding. Following initial COAG ratification in 2009, Victoria was the first State to implement an entitlement-based system (doing so in 2009),

followed by South Australia in 2012. Queensland implemented a pilot scheme in 2013 and moved to full implementation in July 2014, with New South Wales to follow in January 2015.

The implementation of an entitlement-based funding model is having the COAG's desired effect, with increased competition driving higher student enrolment in VET programs, higher course completion rates and a greater allocation of funds to private RTOs.

The diagram below illustrates this effect in Victoria, the only State where reforms have been in place long enough and sufficient data has been collected and published to examine the trend. The diagram illustrates that the four year compound annual growth rate (CAGR) of students enrolled in VET was 6.5% compared to the long run (13-year) compound annual growth rate (CAGR) of 1.7%. Most notably, private training providers have increased their share of students enrolled from ~25% in 2008 (the year prior to reforms) to 52% in 2013.

Figure 26: Victorian VET student numbers by provider



Source: NCVET, Australian Careers Network.

While reform actions to date and a softening labour market through 2009-2012 increased labour supply, thereby helping to partially abate national skills shortages, 29% of continuously assessed occupations were still deemed to be in labour supply shortage by the Commonwealth Department of Employment as at December 2013. The Department determined 26 occupations remained in national shortage including seven manager and professional occupations, 18 technicians and trades roles, as well as child care workers. As such, State funding priorities remain focused on increasing labour supply to continue to combat national skills shortages, and Australian Careers Network Group management believes this should continue to underwrite further growth in Government funding to the VET sector.

(a) Demand driven funding – major state programs

To date, demand driven funding has been implemented in Victoria, Queensland, South Australia and Western Australia. The key aspects of each State and Territory funding models include:

(i) South Australia

South Australia implemented demand driven funding in 2012 under its 'Skills for All' program. In the 12 months following implementation to June 2013 VET enrolments increased 16.3% to 165,700 despite a stricter funding allocation framework to that of Victoria's, including a partial capping of enrolments. As seen in the Victorian training market, the South Australian government has subsequently reviewed and rationalised the number of funded qualifications, in order to better align qualification output with skills shortages.

(ii) Western Australia

Western Australia's demand driven funding model commenced under the title of 'Future Skills WA' on 1 January 2014. Government statistics examining the impact on VET enrolments to date are not currently available. The program guarantees training will be subsidised in State priority courses for eligible students where a training place is available, while reserving the right to cease funding

Industry Overview

in instances of oversupply – this is consistent with Victorian and South Australian policies. According to the Future Skills WA website, currently there are over 600 qualifications on Western Australia’s priority list for training.

(iii) Queensland

Queensland implemented demand driven funding from 1 July 2014 under the ‘Great skills. Real opportunities.’ program. The government took an alternative approach to that of Victoria, South Australia and Western Australia with regard to its funded qualifications list, electing to leave certificate IV and above qualifications largely unsubsidised. This has the effect of transferring the cost of funding to the Commonwealth Government in instances where students are able to access VET FEE-HELP loans for diplomas, advanced diplomas and certain certificate IV courses. The State Government has committed to spending at least \$615 million under ‘Great skills. Real opportunities.’ in FY15 through a variety of programs including general training, indigenous training and industry partnerships, amongst others.

(iv) New South Wales

New South Wales will implement demand driven funding under its ‘Smart and Skilled’ program from 1 January 2015. Prices, fees and subsidies and the 2015 NSW Skills List have been released, with the State Government estimating that the government’s commitments will enable an additional 46,000 students to train in 2015. Under the new model, students pay a set fee per course as opposed to per year of training, and will be expected to contribute 20% towards the cost of their qualification (an addition to other State training models designed to encourage higher qualification completion rates). RTOs lodged applications for Smart and Skilled funding contracts in mid-2014, with allocations expected to be announced in late 2014.

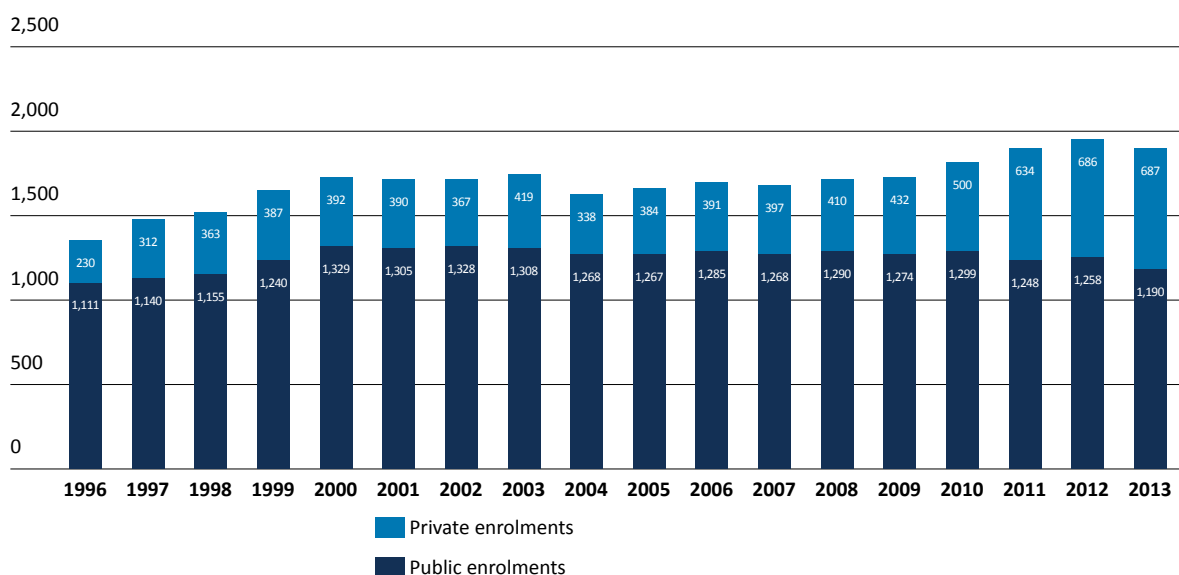
It is noted that Tasmania, the ACT and the Northern Territory constituted approximately 3% of total VET sector enrolments in 2013 according to NCVER statistics. Therefore, while each is in varying stages of implementing demand driven funding, the impact on total sector enrolments is likely to be negligible.

3.6 VET Market Size and Scope

The VET sector enrolls approximately 1.9 million students across a broad range of courses.

Historically, public VET provider enrolments have plateaued at 1.2-1.3 million since the early 2000s, with a 16 year CAGR in enrolments of 0.01%. Conversely, VET sector enrolments through private providers have expanded rapidly from approximately 230,000 in the mid-1990s to approximately 687,000 in 2013.

Figure 27: National VET enrolments by public and private providers



Source: NCVER, Australian Capital Network.

The influence of the demand driven funding reform agenda can be seen at work here, with Victoria and South Australia delivering the greatest growth in student numbers since the new funding model has been put into place in each State.

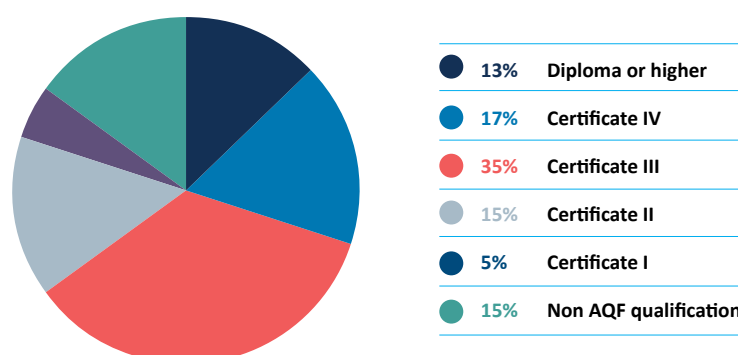
Figure 28: Historic State and Territory VET student enrolments

(000s)	NSW	VIC	QLD	SA	WA	TAS	NT	ACT
2002	553.3	496.8	298.6	140.1	131.9	32.6	22.4	19.7
2003	588.4	511.2	297.6	122.4	130.4	35.8	19.9	21.8
2004	517.5	480.7	278.8	122.4	126.5	38.5	19.7	22.3
2005	562.1	459.1	290.4	125.2	130.1	39.7	21.3	23.0
2006	565.3	471.1	293.3	121.7	137.2	41.8	21.9	23.6
2007	549.0	472.9	287.1	123.0	142.3	43.9	22.8	24.0
2008	550.9	490.0	291.3	125.3	149.1	46.3	22.2	24.7
2009	549.9	494.3	290.1	121.9	157.2	43.2	23.6	26.5
2010	583.2	520.0	303.0	123.9	166.0	49.6	24.1	29.4
2011	586.7	597.0	305.8	123.3	167.7	47.4	24.4	29.4
2012	598.5	645.7	292.0	142.5	167.3	43.0	24.3	30.1
2013	564.0	635.2	254.5	165.7	163.8	43.0	22.9	28.5
4-year CAGR (%)	0.6	6.5	(3.2)	8.0	1.0	(0.2)	(0.7)	1.8

Source: NCVER, Australian Careers Network.

Certificate III is the core entry level vocational qualification in many growing industry and occupational areas. It is also the first post-school level of qualification shown to have a positive impact on a person's employment and earnings, accounting for 34% of students enrolled. Government statistics show that of the prior education levels a student can have upon entry into a subsidised VET course, 59% of students are educated to a level of Year 12 or lower. With Certificate I and II courses addressing essential foundation skills often acquired through secondary schooling, Certificate III is the natural entry point into VET education for most.

Figure 29: VET student enrolments by field of education (2013)



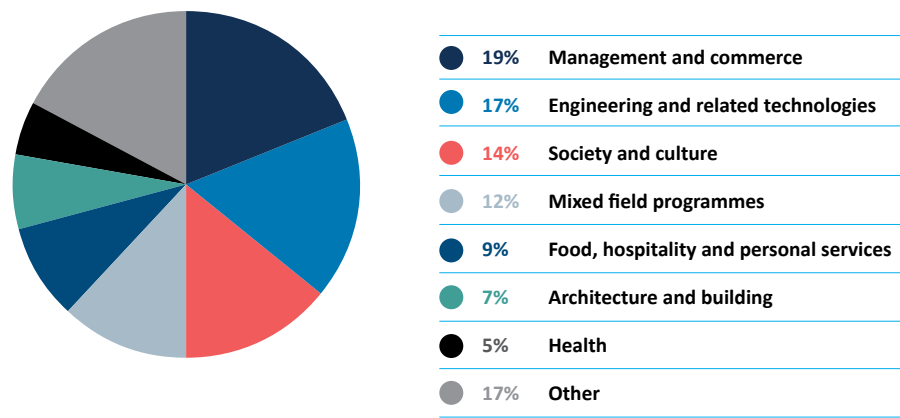
Source: NCVER, Australian Careers Network.

(b) Industries

Prospective students can enrol across a broad range of education fields with the two most popular – engineering and related technologies, and management and commerce – accounting for 36% of students enrolled. While student choice dictates course enrolment, as States and Territories progressively shift to demand driven funding models, policies to align funding with courses specifically addressing areas of skilled labour shortage are likely to increasingly direct enrolment flow.

Industry Overview

Figure 30: VET student enrolments by field of education (2013)



Source: NCVER, Australian Careers Network.

(b) Domestic Intake

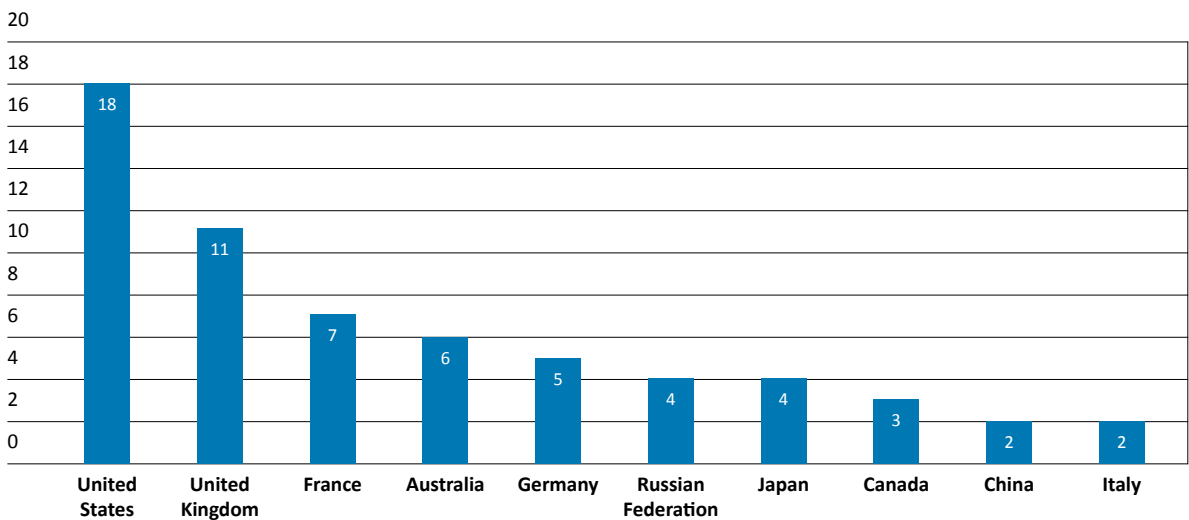
Domestic students accounted for 98.4% of total enrolled VET students in Australia in 2012 (excluding fee-for-service domestic and international students enrolled with private VET providers). Government funded placements grew 4.4% to 1.53 million, accounting for 80.9% of all domestic student VET enrolments. Domestic fee-for-service (ie. full fee-paying) domestic students grew 1.1% to 365,500 accounting for 23.6% of the total intake.

(c) International Intake

International student education is a crucial component of Australia’s economic prosperity. After iron ore (and concentrates), coal and gold, the Australian Department of Foreign Affairs and Trade ranks Education as Australia’s 4th largest export by value.

Non-subsidised tertiary education options for international students in Australia include Higher Education, VET and also ELICOS (English Language Intensive Courses for Overseas Students). Through these, Australia provided education services to 6% of internationally mobile students in 2012 according to UNESCO, making it the 4th most sought after education destination (after the United States, the United Kingdom and France). This is a share of education services delivered that sits well above Australia’s economic and population size relative to other developed economies.

Figure 31: Australia’s share of international student enrolments (% , 2012)



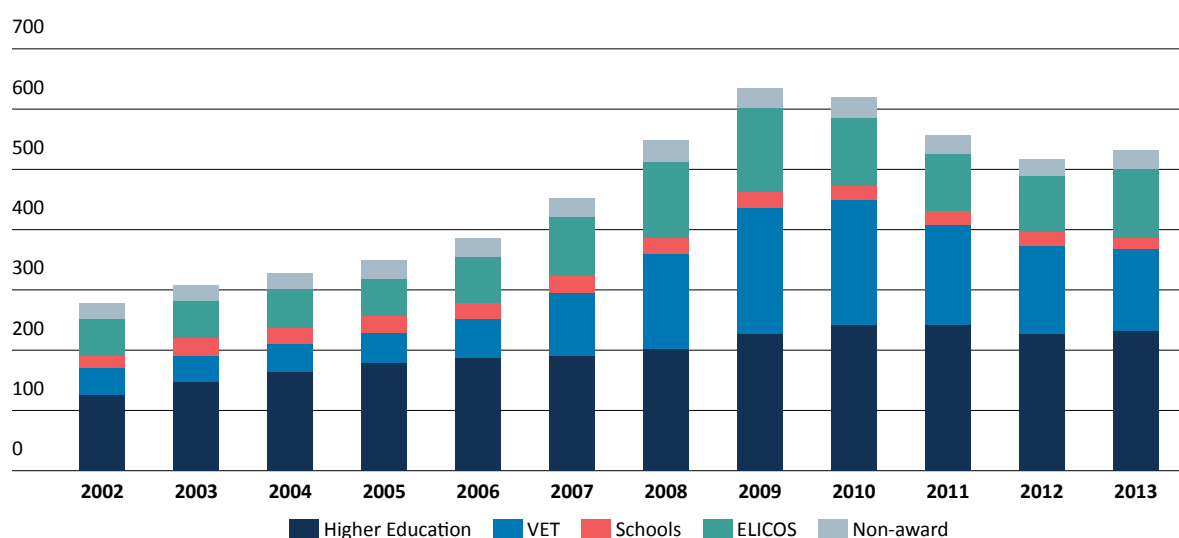
Source: UNESCO, Australian Careers Network.

Despite the importance of education as an export, tightened visa requirements and application scrutiny combined with an escalating Australian dollar impacted negatively total international student enrolments across most international education streams between

2009 and 2010 after more than a decade of strong growth. Total enrolments declined by 14,500 places (2.2%) in 2010 driven primarily by a decline of 24,500 (17.7%) ELICOS enrolments, though partially offset by 16,500 (7.2% growth) incremental enrolments in Higher Education courses. The VET sector experienced a decline of 2.9%.

A period of sustained pressure on international enrolments followed. However after three years of decline the industry appears to have turned the corner in 2013 with total international student enrolments growing 13,200 places (or 2.6%).

Figure 32: International student enrolments by year and education channel (000s)



Source: UNESCO, Australian Careers Network.

International student visa holders seeking to study in Australia have a number of options, although they must study with an institution and in a course that is registered on the CRICOS. CRICOS registration is a requirement for the RTO to be able to offer places under the relevant visa streams for international students to study in Australia to ensure that the course and the institution at which the student is studying meets the standards and laws designed by the Commonwealth Government to promote quality education and protection for international students. These laws include the *Education Services for Overseas Students (ESOS) Act 2000*, and the National Code of Practice for Registration Authorities and Providers of Education and Training to Overseas Students 2007 (National Code).

3.7 Operational aspects of the VET sector

The following Section discusses drivers and trends impacting the growth in VET, the industries covered by the VET sector and the competitive structure within the sector.

(a) Industry drivers and trends

There are a number of key drivers in the VET sector in Australia, not least of all the skills shortages mentioned in Section 3.5. Further drivers include (but are not necessarily limited to) the following areas.

(i) Funding

Historical State and Commonwealth Government VET funding contributions accounted for approximately 75% of VET sector revenues prior to the commencement of sector funding reform in 2009. The Commonwealth Government's contribution substantially increased from A\$1.7bn in 2008 to A\$2.4bn in 2009, but its commitment has subsequently stayed relatively steady at this increased level through to 2012. Conversely, State Governments are increasingly bearing the burden of a rapidly growing funding requirement in VET, with total contributions growing from A\$3.2bn in 2008 to A\$4.5bn in 2012. The growth in contributions almost entirely reflects Victoria's introduction of its demand driven funding model, which moved from purchasing a capped number of training places each year to offering unlimited subsidised course places across all industries in 2012. In this regard, Shareholders should note that the demand driven funding model in Queensland and New South Wales is not as generous as that of Victoria. However, Australian Careers Network Group would be well positioned to benefit should the demand driven funding model be adopted in Queensland and New South Wales.

Industry Overview

Figure 33: Historical funding split of VET in Australia

	2008	2009	2010	2011	2012
Total funding (A\$m)	6,471	7,407	7,665	8,329	8,759
of which is Commonwealth (A\$m)	1,703	2,424	2,397	2,491	2,468
% share	26.3	32.7	31.3	29.9	28.2
of which is State (A\$m)	3,238	3,343	3,530	4,153	4,521
% share	50.0	45.1	46.0	49.9	51.6
of which is student & other (A\$mn)	1,530	1,640	1,738	1,685	1,770
% share	23.7	22.1	22.7	20.2	20.2
Total Government funding share (%)	76.3	77.9	77.3	79.8	79.8

Source: NCVER, Australian Careers Network.

The model evolving in the remaining States (including South Australia) following Victoria's implementation is one of a greater level of directed funding, where courses deemed to be addressing a priority area of skills shortage are largely uncapped in terms of the number of student enrolments that will be funded (this is the case in South Australia, Queensland and New South Wales), whereas those that do not address a particular skills shortage are capped. While this could mean a slower rate of funding expansion in VET in States outside of Victoria due to a lower number of training places, Australian Careers Network Group believes skilled labour shortages remain sufficient in each State to underpin a meaningful increase in VET funding nationally in the medium term.

(ii) Government policy

Improving workforce participation, skill levels and productivity in the workforce has been a key focus of Government policy measures and reform agendas that have influenced the direction and funding of the VET sector in recent years.

Following the initial steps taken after the 2009 COAG, the 2012 COAG reached agreement on a set of further reforms that delivered a revised National Agreement for Skills and Workforce Development centred on achieving the policy targets outlined above. Key elements of the agreed updated reforms included the:

- implementation of demand driven funding models across Australian States and Territories;
- extension of the VET FEE-HELP scheme to subsidised as well as non-subsidised Diploma and Advanced Diploma students in VET education with eligible private providers;
- improvement of measurement and transparency of VET sector performance and activity, including new online portals;
- introduction of a policy for unique student identifiers; and
- validation of training provider assessments to increase employer and student confidence in training outcomes.

Taken in concert, the trend in Government policy with regards to the VET sector has been one of deregulation over the last five years. The measures to date have helped create a more open and competitive VET market, driving a significant increase in student enrolments, course completion rates and diversity of training choice for students. Australian Careers Network Group management expects these trends to continue as State Governments progress with the implementation of demand driven funding models.

(iii) Flexibility of distribution

Students increasingly require flexible learning arrangements due to non-study related commitments such as part time work, poor access to existing education infrastructure or a limited ability to travel. As such, a developing theme that TAFE and private RTO providers are increasingly looking to address is the flexibility of VET course delivery in face-to-face, online, on the job and blended delivery modes.

Australian Careers Network Group, through its wholly-owned subsidiaries, Community Training Initiatives and COVE Training, has a strong capability in on-site delivery of training and assessment.

Another way such flexibility is being addressed is via the internet, with VET courses increasingly delivered through online mediums for 'low touch' qualifications. Dubbed Massive Open Online Courses (or "MOOCs"), these platforms bring a relatively new element of competition to the VET provider set and are growing in uptake. While there are some Australian RTOs offering all on-line training and assessment services, Australian Careers Network Group believes that the highest quality service and learner

outcomes can be provided by blended training, learning and assessment customised for different learners incorporating one or all of digital, face to face, on campus and on the job methodologies.

3.8 Competition

There is a significant level of competition within the VET industry. The industry itself is highly fragmented, with ASQA estimating a current total RTO count of approximately 5,000 in Australia.

The National Centre for Vocational Education and Research (**NCVER**) estimates that TAFE and other Government providers enrolled 63.4% of VET students in 2013, down from 75.9% in 2008 prior to demand driven funding. This share loss highlights the significant level of competition between Government and private providers of Government-funded VET training.

On the one hand barriers to entry can be seen as relatively prohibitive to prospective private provider entrants given the strict RTO registration and regulatory compliance regimes set by ASQA, the VRQA, the Western Australian Training Accreditation Council (**TAC**), and until mid-2014, the National Skills Standard Council (**NSSC**) (see Section 3.9 for a further description of these regulatory and compliance bodies). On the other hand, prior to its flagged dissolution in mid-2014, the NSSC had been working on a proposal for tighter RTO registration regulations in order to support improved training quality outcomes, following a reported drop in the consistency of training and qualification outcome quality. Such a level of dissatisfaction in industry with regards to training outcomes arguably suggests that barriers to entry could yet be raised.

Broadly speaking this has been acknowledged by the State Governments which have to date moved to some form of demand-driven funding model, where the registration process of RTOs has also been reviewed as State funding contracts have been re-awarded under the new funding arrangements.

3.9 Compliance and Regulation

There are many governing bodies and policies responsible for compliance in, and regulation of, Australia's VET system. The accreditation of qualifications, the authorisation and registration of organisations to issue accredited qualifications, and the ongoing quality assurance of issuing organisations and the qualifications are legislated both at the State and Commonwealth level. Commonly involved bodies and policies include:

- **The Australian Qualifications Framework:** Australia's education system can be distinguished from many other countries by its Australian Qualifications Framework (**AQF**). The AQF is a national policy covering qualifications from the Senior Secondary Certificate of Education through to the tertiary education sector (including Higher Education and VET). The AQF has 10 levels and links schools, VET and Higher Education qualifications into a national system. Its primary responsibility is to establish the quality of Australian qualifications;
- **The Industry and Skills Council Advisory Committee:** Previously national training package qualifications for VET were endorsed by the National Skills Standard Council (NSSC). However on 3 April 2014, the COAG Industry and Skills Council agreed to dissolve the NSSC. Its ongoing functions are to be delegated to industry representatives and selected senior officials through the Industry and Skills Council Advisory Committee;
- **The Australian Skills Quality Authority:** ASQA is the National Regulator for Australia's VET sector, regulating courses and training providers to ensure nationally approved quality standards are met;
- **The Victorian Registration and Qualifications Authority:** VRQA is the Regulator for RTOs registered in Victoria. Victoria previously elected not to relinquish its regulatory oversight of RTOs to ASQA;
- **The Western Australian Training Accreditation Council:** TAC is the regulator for RTOs registered in Western Australia. Western Australia previously elected not to relinquish its regulatory oversight of RTOs to ASQA; and
- **The Education Services for Overseas Students Act 2000:** All providers of education and training services to overseas students studying in Australia on student visas must comply with this Act. The Act protects Australia's reputation for delivering quality education services and the interests of overseas students by setting minimum standards and providing tuition and financial assurance. Quality assurance under the Act for Australia's VET sector is undertaken by ASQA.

Industry Overview

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Risk factors



4

Risk Factors

4.1 Introduction

Any investment in ACN exposes investors to risk factors. The area of business in which ACN operates is subject to numerous risk factors both of a general nature and risks which are specific to its business activities. The potential effect of these risk factors either individually, or in combination, may have an adverse effect on the future financial and operating performance of the Company, its financial position, its prospects and/or the value of the Shares.

This Section 4 describes what the Company considers to be the key risks associated with an investment in ACN. You should carefully consider these factors in light of your personal circumstances and seek professional advice from your stockbroker, accountant, lawyers or other professional adviser before deciding whether to invest.

This Section 4 should not be considered to be an exhaustive list of every possible risk associated with an investment in the Company. The types of risks the Company is exposed to can change over time and vary with changes in economic, technological, environmental and regulatory conditions generally within the VET industry.

Before deciding whether to invest in Shares in the Company, prospective investors should read the entire Prospectus. In particular, prospective investors should be aware that there is no certainty that the Company will achieve its stated objectives or that any forward-looking statements will occur. Any investment in the Company should be considered in the light of these risks, as the occurrence of any of the risks set out in this Section 4 either individually or in combination could have a material adverse impact on the Company's operating performance and profits.

The following is not intended to be an exhaustive list of risk factors to which the Company is exposed.

4.2 Risks specific to an investment in ACN

Risk	Details
Loss of government funding	<p>A significant portion of the Australian Careers Network Group's revenue is derived from State Government funding sources, including grant or subsidy programs. Approximately 5.3% of pro forma revenue for FY2015 is forecast to be generated from NSW Government funding, 84% from Victorian Government funding and 10.7% from Commonwealth Government funding.</p> <p>There is a risk that these funding programs may cease, be reduced in size or reallocated in such a way as to limit private training provider access to funding generally, or to limit the Australian Careers Network Group's access to funding specifically.</p> <p>Further, stringent regulatory and compliance protocols must be met in order to retain funding contracts and there is no guarantee that the Australian Careers Network Group will continue to meet all of its obligations under these requirements. There is also no guarantee that these requirements will not be altered to the extent that the Australian Careers Network Group becomes unable to meet them by definition.</p> <p>Should any of the above occur, this could have a significant negative effect on the Company's revenues and profits.</p> <p>Through its partnerships with Government TAFE Institutes, Australian Careers Network Group mitigates the risk of loss of funding as Government TAFE Institutes are considered approved community service providers by State Governments.</p> <p>A Commonwealth Government Senate enquiry was approved on 24 November 2014. Its terms of reference include examination of private sector access to public funds; regulatory regimes governing the sector; the VET FEE-HELP scheme; the overall quality of education provided; associated learning requirements; and graduate outcomes for those completing training with private providers. This enquiry contributes to uncertainty about the future of private colleges operating in the sector in which ACN operates and therefore ACN's future.</p>

Risk	Details
Regulatory environment	<p>Australian Careers Network Group is exposed to the risks posed by current and potential future regulations and legislation that apply to both the VET sector and the industries in which its clients operate.</p> <p>Changes in the regulatory environment may have consequences for Australian Careers Network Group, such as limiting Australian Careers Network Group's ability to do business because of a change in laws.</p> <p>Australian Careers Network Group may be affected by revised or new legislation and guidelines by Commonwealth or State Governments in relation to the VET sector. Such a regulatory change will impact on the business of Australian Careers Network Group and, in particular, the Australian Careers Network Group's ability to deliver on services.</p> <p>Further, RTOs forming part of the Australian Careers Network Group are subject to ongoing regulation by the VRQA and ASQA. Regulatory approval to operate as a RTO is reviewed annually and, between renewal periods, the RTOs have a number of mandatory continuous compliance requirements relating to data recording and reporting, course content delivery and others. Failure to maintain compliance could result in the RTOs being required to repay State Government subsidies or training licenses held by RTOs being revoked by the relevant authority. While all of the Australian Careers Network Group's RTOs currently hold the necessary regulatory approvals to operate, there is no guarantee that they will be able to obtain those approvals in the future.</p>
Demand-driven funding models	<p>All the States and Territories of Australia are at different stages of implementing demand driven funding models in accordance with the 2012 Council of Australian Governments agreement with the Commonwealth Government. To date, the models implemented by Victoria, South Australia and Queensland have each adopted certain unique aspects that impact the sources of funding received and mix of revenue generated by RTOs in each State. There is no guarantee that the funding structures currently implemented in those States will not change at a later date, or that the funding structures still to be implemented in other States and Territories, such as New South Wales, will not differ to those already implemented in Victoria, South Australia and Queensland. In this regard, Shareholders should note that the demand driven funding model in Queensland and New South Wales is not as generous as that of Victoria. However, Australian Careers Network Group would be well positioned to benefit should the demand driven funding model be adopted in Queensland and New South Wales.</p> <p>Accordingly, there can be no guarantee that the business methods, procedures and go-to-market model that the Australian Careers Network Group has adopted in Victoria will yield similar success in its expansion into other States and Territories, or that these methods, procedures and model will continue to yield the same level of success in Victoria.</p>
Acquisitions	<p>While the Australian Careers Network Group has made a number of acquisitions to date, there can be no guarantee that any potential future acquisitions will yield the same results as those before.</p> <p>The Australian Careers Network Group includes COVE Training which was acquired prior to the Offer under this Prospectus. There can be no guarantee that the post acquisition integration process will not impact on the financial results of COVE Training in FY15, or that the business will continue to achieve the type of financial results achieved by COVE Training prior to its acquisition by the Australian Careers Network Group.</p> <p>The Australian Careers Network Group is taking several steps to minimise business disruption, including running dual student processing systems while COVE Training's existing training database is migrated onto the Australian Careers Network Group's software platform, and running dual financial software platforms while financial tracking and control of COVE Training's revenues and expenses are transferred to the Australian Careers Network Group's centralised systems.</p>

Risk Factors

Risk	Details
Risk to constituent brands	<p>The Australian Careers Network Group has adopted a multi-brand strategy, maintaining existing brand architectures of its recently acquired RTOs. The value of the goodwill in these brands is subject to a number of risks, including student training outcomes, regulator audit outcomes, the perceived quality of training packages and the trainers delivering the training.</p> <p>Further, the VET sector is undergoing a period of significant change and any associated adverse outcomes could impact on investors' perceptions of the value of the Australian Careers Network Group, in particular and the VET sector generally.</p> <p>Damage to the brands could have an adverse impact on the Australian Careers Network Group's ability to attract new enrolments, particularly given a large number of alternative training businesses nationally.</p>
Changes to auspicing regulations	<p>Community Training Initiatives derives the majority of its revenue and profits from auspicing arrangements with third party TAFE partners.</p> <p>Should the regulators decide to ban the practise of auspicing, limit the proportion of business that RTOs can conduct via auspicing or materially increase the regulatory burden borne by non-registered training providers, then there is a risk that Community Training Initiatives will cease to be able to conduct its business as it has previously done in the ordinary course.</p> <p>Australian Careers Network Group has mitigated or eliminated the majority of this risk through its recent RTO acquisitions which have broadened Australian Careers Network Group's qualification scope and access to funding.</p>
Contracts, licenses and accreditations	<p>Australian Careers Network Group holds a number of contracts, licenses and accreditations necessary for the provision of training. The Australian Careers Network Group has to apply for State Government funding contracts and contracts with key TAFE partners each year and there is no guarantee Australian Careers Network Group will secure those funding and training contracts in the future.</p> <p>Australian Careers Network Group also holds a number of accreditations, including with the VRQA and ASQA, the Victorian State and National VET regulatory bodies. The Australian Careers Network Group needs to register for these accreditations every 5 years and apply for a renewal of these accreditations annually. There is no guarantee that the Australian Careers Network Group will be granted registration or renewal of these accreditations. If the Australian Careers Network Group is unable to secure registration or renewal of these accreditations, all of the Australian Careers Network Group's training activities must cease immediately.</p> <p>In addition, RTOs are required to pay a nominal annual fee to ASQA based on the number of qualifications and units of competency offered, capped at a maximum of A\$10,370 until FY15. There is a risk that this fee could increase in the future. The Australian Careers Network Group notes, however, that for FY15 the fee has been frozen by the Commonwealth Government.</p>
Policy risk	<p>The Victorian HESG must pre-approve third party partnership arrangements between RTOs and partners like CTI. There is a risk that the approval of such partnership arrangements may be delayed or not granted.</p> <p>From time to time, HESG issues training service agreement notices which must be implemented at short notice. Such notices may alter the eligibility requirements for subsidised students and/or the subsidy price. Accordingly, there is a risk that the profitability of courses may be adversely affected as a result.</p>

Risk	Details
Growth strategy	<p>The Company has only recently consolidated its subsidiaries within the Group. There can be no assurance that the Australian Careers Network Group will continue to achieve the same level of growth which was achieved historically by Community Training Initiatives or COVE Training.</p> <p>There is a risk that the Australian Careers Network Group may not be able to successfully execute the growth strategies outlined in Section 2.5. For example, the Australian Careers Network Group may not be able to achieve the desired growth in student numbers through existing TAFE partners, or it may not be able to expand its TAFE partner network interstate. Alternatively, subsidy rates in training courses delivered by the Australian Careers Network Group could be reduced.</p> <p>Failure to deliver on growth strategies may mean that the Australian Careers Network Group is unable to achieve its objectives.</p>
Competition risk	<p>The market for VET services in Australia is highly competitive.</p> <p>The Australian Careers Network Group competes with other VET providers, including private RTOs and public TAFE institutes who may have significant advantages including greater name recognition, longer operating history, lower operating costs, pre-existing relationships with current or potential clients and greater financial, marketing and other resources.</p> <p>Larger providers enjoy wider recognition and superior economies of scale.</p> <p>Any significant competition may adversely affect the Australian Careers Network Group's ability to meet its objectives. Any increase in competition or deterioration in the Australian Careers Network Group's competitive position could have a material adverse impact on the Australian Careers Network Group's earnings and financial position.</p>
Reliance on relationships and alliances	<p>The Australian Careers Network Group has relationships and alliances with TAFE partners, RTOs, employment agencies, government agencies and other stakeholders in the VET sector. The Australian Careers Network Group's success, in part, depends upon continued successful relations with these parties. The loss of one or more of these relationships or a change in the nature or terms of one or more of these relationships may have a material adverse impact on the financial position and prospects of the Australian Careers Network Group.</p> <p>Australian Careers Network Group is in constant contact with its alliance partners to discuss and assess current performance and future growth opportunities. In addition, ACN's business development team is actively pursuing new alliance partnerships.</p>
Enrolment levels	<p>The number of students who enrol for courses and programs offered by Australian Careers Network Group may vary depending on a number of factors, including competitive course providers, cost and name recognition of the VET provider.</p> <p>Notwithstanding that Australian Careers Network Group undertakes a significant business development program to increase enrolment, it is not possible for Australian Careers Network Group to predict the actual number of students who enrol for courses and programs offered by Australian Careers Network Group and there is a risk that the level of enrolment for courses and programs offered by Australian Careers Network Group and/or the profit made from the conduct of these courses and programs may vary from expectation.</p> <p>Further, there is no guarantee that once enrolled in a course the student will complete their training with Australian Careers Network Group, or complete the training at all. Should a student only partially complete a training course enrolled in with the Australian Careers Network Group then the Australian Careers Network Group only receives revenues for the portion of the training delivered, not for the whole course.</p> <p>Australian Careers Network Group is focused on providing up-to-date and vocationally relevant courses. Its business development team gather market intelligence on course structure and content to ensure that the RTOs within the Australian Careers Network Group are a first choice provider for prospective students.</p>

Risk Factors

Risk	Details
Student processing compliance risk	The government bodies with oversight of the VET sector maintain strict compliance regimes with regards to student enrolment paperwork and funding requests. Incorrect documentation can result in delays, audits by the regulator, and/or loss of government funding.
Litigation	<p>Australian Careers Network Group provides training to a wide variety of clients, including individuals, corporations and government bodies.</p> <p>Due to the subjective nature of course content delivery and other factors, Australian Careers Network Group may be subject to complaints, litigation or other forms of redress should clients decide they are unsatisfied with their training experience with one of Australian Careers Network Group's entities.</p> <p>There can be no guarantee that claims will not be made against Australian Careers Network Group or, if they are, that they will be defended successfully.</p> <p>Australian Careers Network Group has taken steps to ensure training quality including regular internal audits of course content, course delivery methods and student training outcomes to minimise this risk.</p>
Reliance on key suppliers	Australian Careers Network Group has a diversified supplier base and is not reliant on any key supplier.
Third party risk	<p>The operations of Australian Careers Network Group require the involvement of a number of third parties, including suppliers, contractors and clients.</p> <p>Financial failure, default or contractual non-compliance on the part of such third parties may have a material impact on the operations and performance of Australian Careers Network Group. It is not possible for the Company to predict or protect itself and Australian Careers Network Group against all such risks.</p>
Operational risk	<p>The operations of Australian Careers Network Group may be affected by various factors including failures in internal controls and financial fraud. To the extent that such matters may be in the control of Australian Careers Network, Australian Careers Network Group will mitigate these risks through management and supervision controls.</p> <p>In addition, the business of Australian Careers Network Group may be affected by various factors which are beyond the control of the Company, such as further industry structural reforms and other incidents beyond the control of Australian Careers Network Group.</p> <p>These risks and hazards could also result in personal injury, environmental damage, business interruption, monetary losses and possible legal liability. While Australian Careers Network Group currently maintains insurance within ranges of coverage consistent with industry practice, no assurance can be given that Australian Careers Network Group will be able to obtain such insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.</p>
Management capability	The success of Australian Careers Network Group depends upon the ability of its management to develop and implement the strategies to achieve the objectives of Australian Careers Network Group. Subjective decisions made by management or a general lack of management capability may cause Australian Careers Network Group to incur losses or to miss profit opportunities or otherwise have an adverse effect on the business of Australian Careers Network Group.

Risk	Details
Reliance on key staff	<p>Australian Careers Network Group's success, in part, depends upon the continued performance, efforts, abilities and expertise of its key management personnel, as well as other management and technical personnel including those employed on a contractual basis. The loss of the services of certain personnel could adversely affect the time frames and costs structure as currently envisaged for Australian Careers Network Group's business.</p> <p>In particular, co-founder, Prakash Charan, who was primarily involved in sales since the business was founded, is selling a majority of his shareholding under the Offer and resigned from his role earlier this year. The Board notes that Prakash's role was reduced in 2013 and up until his resignation, he did not undertake a significantly active role in the Australian Careers Network Group. The Board considers that Prakash's exit from the business will not adversely impact the Australian Careers Network Group. A team of Business Development Managers has been progressively established in the past six months headed by Ms Anastasia Mantzis. Both Anastasia and Prakash have been instrumental in the training of this team to ensure a full knowledge transfer of Prakash's intellectual property. All third party relationships have been transitioned from Prakash to Anastasia and individual Business Development Managers who have been managing these relationships full time for the last four months. In light of this, the Board considers that Prakash's exit from the business will not adversely impact the Australian Careers Network Group.</p> <p>Further, co-founder and Managing Director, Ivan Robert Brown has significant involvement and knowledge of the business. If Mr Brown or one or more of the senior executives or other personnel of Australian Careers Network Group are unable or unwilling to continue in their present positions, Australian Careers Network Group may not be able to replace them easily which may result in a disruption of the business of Australian Careers Network Group and the financial condition of Australian Careers Network Group and results of operations may be materially and adversely affected.</p>
Concentration of shareholding	<p>Following completion of the Offer, IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, a company controlled by Ivan Robert Brown, will hold approximately 27.78% of the Shares on issue. Accordingly, Mr Brown will be in a position to significantly influence the outcome of matters relating to the Australian Careers Network Group, including the election of Directors and the approval of transactions. The interests of Mr Brown may be different from the interests of investors who purchase Shares in the Offer.</p> <p>Shareholders may be adversely affected if Mr Brown should sell his holdings in a poorly managed sell-down or if Mr Brown's interests should differ from those of other Shareholders.</p> <p>Shareholders should note IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and Prakash Charan have entered into escrow agreements with the Company pursuant to which:</p> <ul style="list-style-type: none"> in respect of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust: <ul style="list-style-type: none"> 17,944,445 Shares will be escrowed for a period ending on the earlier of 24 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and 5,323,529 Shares will be escrowed for a period ending on the earlier of 12 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and in respect of Prakash Charan, those Shares not the subject of the sell-down will be escrowed for a period of 24 months from the date on which the Company's Shares are quoted on the ASX.

Risk Factors

4.3 Risks to the Shares under the Offer

Risk	Details
Level of holding of Existing Shareholders	<p>At the date of this Prospectus, the Company had 74,895,833 Shares on issue. The total Shares on issue at completion of the Offer will be 83,719,362.</p> <p>The interests of Existing Shareholders, expressed as a percentage of the total Share capital of the Company as at the date of this Prospectus, will be diluted as a result of the completion of the Offer. The Directors are of the view that the Offer will not have an effect on the control of the Company and the Company's ability to continue as a going concern is not dependent upon the receipt of funds under the Offer.</p> <p>Investors should note that the Existing Shareholders will hold approximately 61.78% of the Company upon completion of the Offer. Accordingly, investors under the Offer will hold an interest of 38.22% of the Company upon completion of the Offer. However, the Existing Shareholders comprise the founders and persons who participated in a substantial pre-IPO capital raising.</p>
Securities investment risk	<p>There are risks associated with any investment in securities. The prices at which the Shares trade may fluctuate in response to a number of factors.</p> <p>Furthermore, the stock market has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. There can be no guarantee that these trading prices will be sustained. These factors may materially affect the market price of the Shares regardless of the Company's operational performance.</p> <p>The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on the ASX. The value of the Shares will be determined by the stock market and will be subject to a range of factors beyond the control of the Company, the Directors and officers of the Company. Such factors include, but are not limited to, the demand for and availability of the Shares, movements in domestic interest rates, exchange rates, fluctuations in the Australian and international stock markets and general domestic and economic activity. Returns from an investment in the Shares may also depend on general stock market conditions as well as the performance of the Company. There can be no guarantee that an active market in the Shares will develop or that the market price of the Shares will not decline below the Offer Price.</p>
Dilution risks	<p>In certain circumstances, the Directors may issue equity securities without any vote or action by Shareholders. If the Company were to issue any equity securities the percentage ownership of existing Shareholders may be reduced and diluted.</p> <p>The Company may raise capital through the issue of Shares in the future. In the event the Company elects to raise further capital through the issue of Shares, there is a risk that the interests of Shareholders will be further diluted as a result of the capital raising.</p>

4.4 General risks

Risk	Details
Macro-economic risks	<p>Changes in the general economic outlook both in Australia and globally may impact the performance of the Company and its projects. Such changes may include:</p> <ul style="list-style-type: none"> • contractions in the Australian economy or increases in the rate of inflation resulting from domestic or international conditions (including movements in domestic interest rates and reduced economic activity); • increases in expenses (including the cost of goods and services used by the Australian Careers Network Group); • new or increased government taxes, duties or changes in taxation laws; and • fluctuations in equity markets in Australia and internationally. <p>A prolonged and significant downturn in general economic conditions may have a material adverse impact on the Australian Careers Network Group's trading and financial performance.</p>
Broader general risks	<p>There are also a number of broader general risks which may impact ACN's performance. These include:</p> <ul style="list-style-type: none"> • abnormal stoppages in normal business operations due to factors such as war, political or civil unrest, infrastructure failure and / or industrial disruption; • higher than budgeted costs associated with the provision of service offerings; • clients not renewing contracts, renewing on less favourable terms, or other loss of clients; and • material litigation – the Australian Careers Network Group is not currently involved in any material litigation and is not aware of any facts or circumstances that may give rise to any material litigation. However, given the scope of the Australian Careers Network Group's activities and the wide range of parties with which it is likely to deal, the Australian Careers Network Group may be exposed to potential litigation from third parties such as clients, regulators, employees and business associates.
Government actions	<p>The impact of actions by government may affect the Australian Careers Network Group's activities including such matters as, compliance with environmental regulations, taxation and royalties.</p>
Changes in laws and government policy	<p>Changes in laws, regulations and government policy may affect ACN and the attractiveness of an investment in ACN.</p>
Insurance risk	<p>The Company may, where economically practicable and available, endeavour to mitigate some project and business risks by procuring relevant insurance cover. However, such insurance cover may not always be available or economically justifiable and the policy provisions and exclusions may render a particular claim by the Company outside the scope of the insurance cover. While the Company will undertake all reasonable due diligence in assessing the creditworthiness of its insurance providers there will remain the risk that an insurer defaults in the legitimate claim by the Company under an insurance policy.</p>

Risk Factors

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Financial information



5

Financial information

5.1 Introduction

The financial information for Australian Careers Network Group (**Financial Information**) contained in this section 5 includes:

Historical Financial Information	Section
Pro forma consolidated historical income statements for FY2012, FY2013 and FY2014 (Pro forma Historical Income Statements)	5.3
A reconciliation of the Statutory Historical Income Statement to the Pro forma Historical Income Statements	5.3.1
Pro forma consolidated historical balance sheet as at 30 June 2014 (Pro forma Historical Balance Sheet)	5.4
Pro forma consolidated historical cash flow statements for FY2012, FY2013 and FY2014 (Pro forma Historical Cash Flow Statements)	5.9

(together the “**Historical Financial Information**”)

Forecast Financial Information	Section
Pro forma consolidated forecast income statement for FY2015 (Pro forma Forecast Income Statement)	5.3
Statutory consolidated forecast income statement for FY2015 (Statutory Forecast Income Statement) including a reconciliation to the Pro forma Forecast Income Statement	5.3.1
Pro forma consolidated forecast cash flow statement for FY2015 (Pro forma Forecast Cash Flow Statement)	5.9
Statutory consolidated forecast cash flow statement for FY2015 (Statutory Forecast Cash Flow Statement)	5.9

(together the “**Forecast Financial Information**”)

The Historical Financial Information and Forecast Financial Information together form the Financial Information.

All amounts presented in this section 5 are presented in Australian dollars unless otherwise noted and rounded to the nearest \$1,000.

5.2 Basis of preparation and presentation of Financial Information

The Financial Information included in this section 5 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act. The Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards as applicable to annual financial reports prepared in accordance with the Corporations Act. The key accounting policies of Australian Careers Network Group relevant to the Financial Information are set out in Section 11 of this Prospectus.

The Financial Information has been reviewed and reported on by Grant Thornton Corporate Finance Pty Limited (**Grant Thornton Corporate Finance**) as set out in the Investigating Accountant’s Report (IAR) in section 6. Investors should note the scope and limitations of the IAR (refer to section 6).

5.2.1 Basis of Historical Financial Information

Australian Careers Network Group was incorporated on 17 March 2014 as a public company and will not undertake any trading activities until completion of the Offer and Acquisitions. There are therefore no actual historical consolidated financial results for Australian Careers Network Group. The pro forma historical financial information set out in the Prospectus is presented on a pro forma consolidated basis and has been derived from the following financial information which has been prepared in accordance with the recognition and measurement principles prescribed under AGAAP. The pro forma historical financial information is prepared on an accrual and historical cost basis.

The Statutory Historical Income Statements and Pro Forma Historical Income Statements have been derived from the following financial statements for FY2012, FY2013 and FY2014 for the following entities:

- Australian Careers Network Limited: the audited financial statements for the period ended 30 June 2014;
- Community Training Initiatives Pty Limited (“CTI”); the audited financial statements for the period ended 30 June 2012 and years ended 30 June 2013 and 30 June 2014;
- Consider This Training Pty Limited (“CTT”); the audited financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;

- CLI Training Pty Limited (“CLI”); the unaudited financial statements for the years ended 30 June 2013 and 30 June 2014;
- Community Employment Initiatives Pty Limited (“CEI”); the audited financial statements for the year ended 30 June 2014;
- Community Initiatives Group Pty Limited (“CIG”); the unaudited financial statements for the years ended 30 June 2013 and 30 June 2014;
- The Peter Stephenson Family Trust, and subsequently Thoan Pty Limited (“AMA”); the audited financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Smart Connection Company Pty Limited (“SCC”); the audited financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Pan Bird Pty Limited (“Herron Assess”); the audited financial statements for the years ended 30 June 2013 and 30 June 2014;
- Health Education and Recruitment Services Pty Limited (“Haley College”) the audited financial statements for the years ended 30 June 2013 and 30 June 2014;
- Centre of Vocational Education Pty Limited (“Cove”); the audited financial statements for the years ended 30 June 2012, 30 June 2013 and 30 June 2014;
- Training Experts Australia Pty Limited (“TEA”); the unaudited financial statements for the year ended 30 June 2012 and the audited financial statements for the years ended 30 June 2013 and 30 June 2014;
- International Training College Pty Limited (“ITC”); the unaudited financial statements for the year ended 30 June 2014; and
- Loka Enterprises Pty Limited (“Loka”); the unaudited financial statements for year ended 30 June 2014.

No modified audit reports were issued for any of the above entities in FY2012, FY2013 or FY2014.

The main trading entities during FY2012, FY2013 and FY2014 were CTI, CTT, Cove, TEA, SCC and AMA.

On 30 September 2014 Australian Careers Network Limited acquired (both directly and indirectly through CIG) the entire issued capital of each of the above entities (“the Acquisitions”). The Pro forma Historical Income Statements have therefore been based on the audited and unaudited financial statements as applicable of the above entities after adjusting for non recurring items to reflect Australian Careers Network Group’s operations following completion of the Acquisitions and the Offer. The Pro forma Historical Income Statements do not include any adjustments to take into account post IPO corporate costs such as ASX listing fees, share registry costs, Board member expenses etc. Such costs have been taken up in the Pro forma Forecast Income Statement for FY2015.

5.2.2 Basis of Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions, and on a number of best estimate assumptions regarding future events, to the best of their knowledge as at the date of this Prospectus. These assumptions are set out in further detail in section 5.11.

Forecast financial information for FY2015 is based on 2 months actual results to 31 August 2014 and ten months forecast results to 30 June 2015.

This information is designed to assist investors in assessing the reasonableness and the likelihood of the assumptions occurring, and is not intended to be a representation that the assumption will occur.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative impact on Australian Careers Network Group’s actual financial performance and/or financial position. Accordingly, neither Australian Careers Network Group nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will eventuate. In addition, investors should be aware that historical financial performance is not a guide for future financial performance.

The Forecast Financial Information should be considered in conjunction with the assumptions set out in sections 5.11, the sensitivities set out in section 5.12, the risk factors as set out in section 4 and other information contained in this Prospectus. The acquisition of TEA and Training Synergies will be completed immediately following settlement of the Offer which is reflected in the Statutory Forecast.

Financial information

5.3 Pro Forma Historical and Forecast Income Statements

Table 1 below sets out the Pro forma Historical Income Statements for FY2012, FY2013 and FY2014, and the Pro forma and Statutory Forecast Income Statements for FY2015:

Table 1: Pro forma Historical and Forecast Income Statements

	FY2012 Pro Forma \$'000	FY2013 Pro Forma \$'000	FY2014 Pro Forma \$'000	FY2015 Pro Forma \$'000	FY2015 Statutory \$'000
Revenue ³	13,665	28,701	33,381	56,135	47,917
Overheads ⁷	(7,843)	(13,662)	(17,729)	(30,658)	(25,440)
EBITDA	5,822	15,039	15,652	25,477	22,477
EBITDA margin %	42.6%	52.4%	46.9%	45.4%	46.9%
Depreciation ⁴	(327)	(456)	(514)	(362)	(279)
EBITA⁵	5,495	14,583	15,138	25,115	22,198
EBITA margin %	40.2%	50.8%	45.3%	44.7%	46.3%
Amortisation ⁶	–	–	–	(2,105)	(1,579)
EBIT	5,495	14,583	15,138	23,010	20,619
EBIT margin %	40.2%	50.8%	45.3%	41.0%	43.0%
Net interest income	60	65	66	198	209
NPBT	5,555	14,648	15,204	23,208	20,828
Income tax expense	(924)	(2,618)	(2,359)	(6,962)	(6,249)
NPAT	4,631	12,030	12,845	16,246	14,579

Note 1: The Pro forma Historical Income Statements are reconciled to the Statutory Historical Income Statement of Australian Careers Network Limited in section 5.3.1.

Note 2: The Pro forma Forecast Income Statements are reconciled to the Statutory Forecast Income Statements in section 5.3.1.

Note 3: Refer to section 5.10.1 for a description of Australian Careers Network Group' revenue streams.

Note 4: Depreciation relates to fixed assets and intangible assets recorded in the balance sheet of Australian Careers Network Group and controlled entities.

Note 5: Excludes amortisation relating to intangible assets expected to be recognised by Australian Careers Network Group in relation to the Acquisitions.

Note 6: Relates to amortisation of intangible assets expected to be recognised by Australian Careers Network Group in relation to the Acquisitions as required by AASB 3 – Business Combinations.

Note 7: Includes costs associated with Australian Careers Network Group, the Acquisitions and a component of Offer costs to be recognised as an expense (as opposed to being recognised against equity) in accordance with accounting standards.

5.3.1 Pro forma Adjustments to the Statutory Historical Income Statements

Table 2 sets out the adjustments that have been made to the audited Statutory Historical Income Statement of Australian Careers Network Limited:

Table 2: Reconciliation of revenue, EBITDA and NPAT from Statutory Historical and Forecast to Pro forma Historical and Forecast

	FY2012 Historical \$'000	FY2013 Historical \$'000	FY2014 Historical \$'000	FY2015 Forecast \$'000
Revenue – Australian Careers Network Limited (statutory)²	–	–	–	47,917
Revenue impact of acquisitions ¹	13,665	28,701	33,381	8,218
Revenue (pro forma)	13,665	28,701	33,381	56,135
EBITDA – Australian Careers Network Limited (statutory)²	–	–	–	22,477
EBITDA impact of acquisitions ¹	5,822	15,039	13,994	2,002
IPO costs	–	–	1,658	998
EBITDA (pro forma)	5,822	15,039	15,652	25,477
NPAT – Australian Careers Network Limited (statutory)²	–	–	–	14,580
NPAT impact of acquisitions ¹	4,631	12,030	11,187	668
IPO costs	–	–	1,658	998
NPAT (pro forma)	4,631	12,030	12,845	16,246

Note 1: As noted in section 5.2 Australian Careers Network Limited was incorporated on 17 March 2014 and will not undertake any trading activities until completion of the Offer and Acquisitions therefore an adjustment has been made to reflect the revenue, EBITDA and NPAT impact resulting from the Acquisitions as though each of the entities had been acquired on 1 July 2011. The pre-acquisition audited and unaudited income statements of the acquired companies have been adjusted to eliminate non-recurring items or items not relevant to the operations and business post acquisition by Australian Careers Network Limited.

Note 2: An adjustment has been made to the pro forma revenue, EBITDA and NPAT to reflect the statutory results from the date of acquisition by Australian Careers Network Limited being 30 September 2014.

5.3.2 Key operating metrics

The following table provides a summary of Australian Careers Network Group's key historical and forecast operating metrics relating to the Pro forma Historical and Forecast Income Statements:

Table 3: Key operating metrics

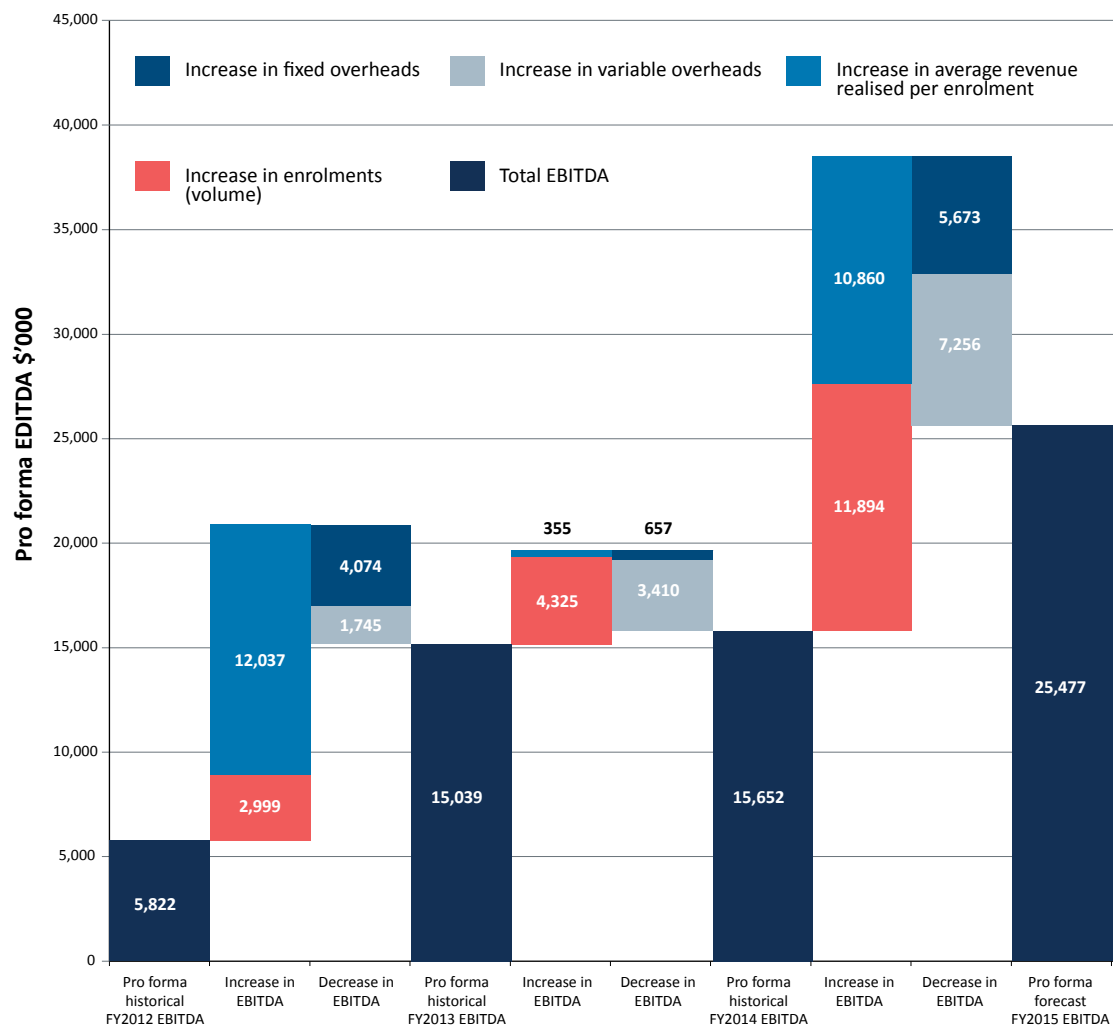
	FY2012 Historical \$'000	FY2013 Historical \$'000	FY2014 Historical \$'000	FY2015 Forecast \$'000
Revenue				
TAFE	–	5,626	14,391	16,212
RTO	13,665	23,075	18,990	39,923
Total revenue	13,665	28,701	33,381	56,135
Enrolments no.	7,654	9,334	10,741	14,568
Average revenue realised per enrolment (\$)	\$1,785	\$3,075	\$3,108	\$3,853

Average revenue realised per enrolment is influenced by the commencement date of the student and the student's progress through the relevant course and therefore the level of subsidies received by Australian Careers Network Group in the applicable period.

Further details regarding the historical and forecast movements detailed above are set out in sections 5.10 and 5.11.2.

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Table 4: EBITDA bridge FY2012 to FY2015



A detailed discussion of the component contributors to Pro Forma EBITDA for FY2012, FY2013, FY2014 and FY2015 are set out in sections 5.10.4, 5.10.5 and 5.11.2.

5.4 Pro Forma Historical Balance Sheet

Table 5 below sets out the Pro forma Historical Balance Sheet as at 30 June 2014 including the statutory historical balance sheet of Australian Careers Network Limited as at 30 June 2014 and details of pro forma adjustments which have been made:

Table 5: Pro forma Historical Balance Sheet as at 30 June 2014

	As at 30 June 2014			
	ACN Audited \$'000	Impact of the acq's & subsequent events ^{2,4} \$'000	Impact of the Offer ³ \$'000	Pro forma \$'000
Current assets				
Cash and cash equivalents	1	1,514	13,052	14,567
Trade and other receivables	–	2,646	–	2,646
Other current assets	–	5,767	–	5,767
Total current assets	1	9,927	13,052	22,980
Non current assets				
Intergroup loans	4,917	(4,917)	–	–
Plant and equipment	–	3,558	–	3,558
Deferred tax assets	229	553	584	1,366
Other assets	–	83	–	83
Intangible assets	–	33,353	–	33,353
Total non current assets	5,146	32,630	584	38,360
Total assets	5,147	42,557	13,636	61,340
Current liabilities				
Trade & other payables	–	4,524	–	4,524
Borrowings	–	390	–	390
Deferred consideration	–	755	–	755
Current tax liabilities	–	862	–	862
Employee entitlements	–	47	–	47
Total current liabilities	–	6,578	–	6,578
Non current liabilities				
Borrowings	–	758	–	758
Convertible notes	5,790	(5,790)	–	–
Deferred consideration	–	1,010	–	1,010
Deferred tax liabilities	119	5,113	–	5,232
Total non current liabilities	5,909	1,091	–	7,000
Total liabilities	5,909	7,669	–	13,578
Net assets	(762)	34,888	13,636	47,762
Equity				
Issued capital	(1,409)	33,362	14,335	46,288
Reserves	1,089	(1,089)	–	–
Retained earnings	(442)	2,615	(699)	1,474
Total equity	(762)	34,888	13,636	47,762

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Note 1: The statutory historical balance sheet of Australian Careers Network Limited as at 30 June 2014 has been prepared prior to the Acquisitions and prior to the Offer and includes costs relating the Offer and associated issue of equity incurred up to 30 June 2014.

Note 2: The following pro forma adjustments have been made to reflect a material transaction after 30 June 2014:

- On 8 July 2014 and 4 September 2014 Australian Careers Network Limited issued 1 million and 16.56 million convertible notes respectively to cornerstone investors for a cash consideration of \$27.4 million (less costs of \$2.6 million). The convertible notes have been converted to 17.56 million fully paid ordinary shares.

Note 3: The following pro forma adjustments have been made in relation to the Offer:

- the issue of 8.8 million new shares at \$1.70 per share (raising a total of \$15 million), in Australian Careers Network Limited, less costs of the Offer estimated to be \$1.9 million of which \$0.95 million has been taken up against equity with the balance taken to retained earnings). Costs of the Offer taken to equity have been partially offset by a deferred tax asset in relation to the future deductibility of these costs.

Note 4: The following pro forma adjustments have been made in relation to the Acquisitions:

- On 30 September 2014, Australian Careers Network Limited acquired 100% of the issued shares of CTI, CTT, CEI and CIG in exchange for shares in Australian Careers Network Limited. The acquisition of CTI, CTT, CEI and CIG has been treated as a business combination in accordance with AASB 3 Business Combinations.
- Prior to acquisition by Australian Careers Network Limited, CIG had completed the following acquisitions;
 - On 3 June 2014, CIG acquired 100% of the issued shares of AMA for a consideration of \$1 million which was settled from existing cash reserves;
 - On 30 June 2014 CIG entered into an agreement to acquire 100% of the issued shares of TEA and TS for a consideration of \$4.0 million. Completion will occur on payment of the purchase consideration which will be settled from the proceeds of the Offer. In addition, a deferred consideration component amounting to \$0.5 million which is payable over two years based on certain performance criteria being met and which has been assessed as having a present value of \$0.44 million (see section 9.2 for further details);
 - On 29 July 2014 CIG acquired 100% of the issued shares of SCC for a consideration of \$0.1 million which was settled from existing cash reserves. In addition, a deferred consideration component amounting to \$1.65 million which is payable over three years based on certain performance criteria being met and which has been assessed as having a present value of \$1.33 million;
 - On 12 August 2014 CIG acquired 100% of the issued shares of Heron Assess for a consideration of \$0.26 million which was settled from cash reserves;
 - On 21 August 2014 CIG acquired 100% of the issued shares of Haley College for a consideration of \$75,000 which was settled from existing cash reserves; and
 - On 5 September 2014 CIG acquired 100% of the issued shares of Cove, ITC and Loka for a consideration of \$24.5 million which was settled from existing cash reserves (following the convertible note issue referred to above).

The Acquisitions have been treated as business combinations in accordance with AASB 3 Business Combinations. The assets and liabilities of the Acquisitions (including intangible assets not previously recognised) have been recognised at fair estimated value. The fair value of intangible assets (excluding goodwill) has been estimated on a provisional basis in accordance with paragraph 45 of AASB 3.

Note 5: Prior to 30 June 2014, 1.5 million options in ACN were agreed to be issued in relation pre IPO capital raisings. The options have an exercise price of \$4.20 and expiry date of 17 October 2017 and are assumed not to be exercised in the pro forma balance sheet.

Note 6: Upon listing on the ASX, Australian Careers Network Group will have 83.7 million shares on issue.

5.5 Indebtedness and capitalisation

Table 6 sets out the indebtedness and capitalisation of Australian Careers Network Limited as at 30 June 2014 and Australian Careers Network Group following completion of the Offer:

Table 6: Net indebtedness and equity pre and post Offer

	Audited statutory (before completion of the Offer)	Pro forma (following completion of the Offer)
Cash and cash equivalents	(1)	(14,567)
Borrowings	–	1,148
Convertible notes	5,790	–
Deferred consideration	–	1,765
Total indebtedness	5,789	(11,654)
Contributed equity	(1,409)	46,288
Reserves	1,089	–
Retained earnings	(442)	1,474
Total capitalisation	(762)	47,762
Total Indebtedness and total capitalisation	5,027	36,108

Note 1: Present value of the deferred consideration payable by Australian Careers Network Group in relation to the Acquisitions.

Note 2: Contributed equity includes costs relating to the Acquisitions, previous capital raisings and Offer of which \$0.7 million has been offset against equity raised.

5.6 Description of debt facilities

At the date of this Prospectus Australian Careers Network Group do not have any other external debt facilities with the exception of finance and operating leases. Australian Careers Network Group intends to enter into discussions with lenders to secure appropriate debt facilities to execute future acquisition strategies.

The forecast financial information included in this Prospectus does not include any assumptions in relation to securing such future financing facilities. To the extent that the Company is able to satisfactorily negotiate a debt facility as outlined above, any drawdowns of that facility will only be made for the acquisition of earnings accretive businesses such that the financial performance of such acquisitions is expected to exceed the servicing costs of the facility and improve the overall performance of the Australian Careers Network Group.

5.7 Liquidity and capital resources

Following Completion of the Offer, Australian Careers Network Group will have, on a pro forma basis, cash of \$14.6 million arising from the Offer as described in section 5.4 over and above cash flows from operations.

Australian Careers Network Group expects that it will have sufficient cash to meet its operational requirements and other business needs to meet its stated objectives during FY2015 from the above sources. As Australian Careers Network Group revenues are in Australian dollars and all business operations are conducted in Australia, there is no exposure to foreign currency risk.

5.8 Contractual obligations and commitments

The Company has the following obligations and commitments:

- Australian Careers Network Group has a number of commitments in relation to its rental operating leases, as summarised below:

	Less than 1 year \$'000	1 to 5 years \$'000	Total \$'000
Commitments	1,047	2,155	3,202

- As set out in section 5.4 there is an earn out liability of \$2.15 million payable to the TEA and SCC Vendors. These payments are payable over a two and three year period respectively and are subject to certain performance milestones. As at the date of this Prospectus, it is expected that all of the earn out which will be payable, which will be funded from retained profits.

5.9 Pro Forma Historical and Forecast Cash Flow Statements

Australian Careers Network Group has a track record of cash flow generation, converting a significant portion of EBITDA to operating free cash flow.

Table 7 below set out the Pro forma Historical Cash Flow Statements, the Pro forma Forecast Cash Flow Statements and the Statutory Forecast Cash Flow Statements:

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Table 7: Pro forma Historical and Forecast Cashflow Statements

	FY2012 Pro Forma \$'000	FY2013 Pro Forma \$'000	FY2014 Pro Forma \$'000	FY2015 Pro Forma \$'000	FY2015 Statutory \$'000
EBITA	5,495	14,583	15,138	25,115	22,198
Depreciation	327	456	514	362	279
EBITDA	5,822	15,039	15,652	25,477	22,477
Changes in working capital	(918)	(2,727)	(1,032)	(5,415)	(10,291)
Operating free cash flow before capital expenditure	4,904	12,312	14,620	20,062	12,186
Capital expenditure	(459)	(816)	(753)	(565)	(365)
Operating free cash flow after capital expenditure	4,445	11,496	13,867	19,497	11,821
Net interest received				198	209
Income tax paid				(565)	(6,249)
Net cash flow before dividends	4,445	11,496	13,867	19,130	5,781
Cash conversion ratio ¹	89.2%	84.4%	96.6%	79.9%	54.9%

Note 1: Represents operating free cash flow before capital expenditure as a percentage of EBITA.

The cash conversion ratio is sensitive to the cycle of the Australian Careers Network Group business, in particular the timing of payments received from funding sources. Additionally, given that most of the expenses of Australian Careers Network Group are labour related costs or student acquisition costs which are payable on course completion, there is a relatively minor impact arising from trade creditors and other liabilities.

Pro forma Adjustment to Statutory Cash Flows

Table 8 below sets out the adjustments that have been made to the Statutory Operating Cash Flows and the pro forma operating cash flows:

Table 8: Reconciliation of Cash flow after Capex – Statutory to Pro forma

	FY2012 Pro forma \$'000	FY2013 Pro forma \$'000	FY2014 Pro forma \$'000	FY2015 Forecast \$'000
Statutory operating cash flow after capital expenditure	–	–	–	11,821
Pro forma impact of the acquisitions (including depreciation) ¹	4,445	11,496	12,209	6,678
IPO transaction costs expensed ²	–	–	1,658	998
Pro forma operating cash flow after capital expenditure	4,445	11,496	13,867	19,497

Note 1: Adjustments have been made to reflect the cash flow impact from the Acquisitions.

Note 2: An adjustment has been made to reflect the impact on operating cash flows resulting from the portion of costs associated with the Acquisitions and the Offer which have not been capitalised or accounted for in equity.

5.10 Management discussion and analysis of the Historical Financial Information

Below is a discussion of the main factors which affected Australian Careers Network Group's operations and relative financial performance in FY2012, FY2013 and FY2014 (on a pro forma basis) and which Australian Careers Network Group expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Australian Careers Network Group's pro forma historical operating and financial performance, nor everything which may affect Australian Careers Network Group's operations and financial performance in the future.

5.10.1 Revenue

An overview of the different revenue streams generated by Australian Careers Network Group and the key drivers of each revenue stream are set out below:

Australian Careers Network Group generates revenue from the delivery of training services from the following sources:

- TAFE Partnerships – CTI (a wholly owned subsidiary of Australian Careers Network Group) has established training partnerships with a number of TAFE institutes based in Victoria and conducts training on behalf of the TAFE in return for training subsidies. Australian Careers Network Group also provides training to students who are eligible for VET FEE HELP through these TAFE Partnerships;
- Fee-for-service – individual student and corporate client funded short courses; and
- Owned Registered Training Organisations – Australian Careers Network Group has 10 private RTO's with 96 approved qualifications on scope. Students are sourced through corporate relationships and business development activities with revenue for eligible students received from predominantly state and some commonwealth funding sources based on the applicable subsidy.

The key drivers of revenue are the number of enrolments and revenue per qualification, these two drivers are dependent on a number of factors including:

- demand for training services from Corporate clients and individual students;
- the amount of State and Commonwealth Government funding available for the VET sector;
- Australian Careers Network Group's ability to secure new Corporate clients and individual students;
- the eligibility of employees and/or students for government funding including state and Commonwealth government funding; and
- the average revenue per enrolment which in turn depends on the mix of training qualifications delivered and the amount of government funding associated with the qualifications.

Training revenues are recognised as the work is undertaken. To the extent that revenues are received in advance, these are reflected as a liability. Alternatively, where work has been undertaken but not invoiced, an estimated amount of income is recognised as work in progress.

5.10.2 Overheads

Overheads relating to training consists of remuneration to directly employed and contractor trainers (including related on costs). Training materials, equipment and room hire account for the majority of other directly attributable costs.

Student acquisition costs relate to broker sourced enrolments and agency partnerships with job Services Australia and Commonwealth Government employment services.

Australian Careers Network Group also sources students through community alignment programs which includes corporate sponsorship of sporting clubs. Industry memberships also ensure naming rights at major events promoting brand recognition and student acquisition opportunities.

Other overheads are comprised of mainly administrative employees and occupancy costs, including directors, compliance and government liaison, administration, share registry and other listing related expenses.

Interest income is calculated at 3% p.a on surplus cash balances.

5.10.3 Cash Flows and Working Capital

Australian Careers Network Group's working capital comprises current trade and other receivables, work in progress and current trade and other payables and provisions. The working capital cycle is driven by the following factors:

- state and Commonwealth government funded students typically result in average trade receivable days of 60 days;
- trade receivables days in respect of the provision of training to Corporate clients on a fee-for-service basis are dependent on the negotiated trading terms with individual enterprise clients as set out in their client agreements. Typical credit terms are 30 days;
- trainers are paid fortnightly;
- rents are paid monthly in advance; and
- other expenses are paid 30 days from end of month; and

Capex

Capex is typically related to expenditure on training facilities, training equipment, IT requirements and capitalisation of new course material costs. Capex is determined on an assessed as needs basis.

Financial information

5.10.4 Pro forma Historical Income Statements: FY2013 vs FY2012

Table 9: Pro forma Historical Income Statements: FY2013 vs FY2012

	FY2012 Pro Forma \$'000	FY2013 Pro Forma \$'000	Movement	
			\$'000	%
Revenue	13,665	28,701	15,036	110.0%
Overheads	(7,843)	(13,662)	(5,819)	74.2%
EBITDA	5,822	15,039	9,217	158.3%
EBITDA margin %	42.6%	52.4%	9.8%	9.8%
Depreciation	(327)	(456)	(129)	39.4%
EBITA	5,495	14,583	9,088	165.4%
EBITA margin %	40.2%	50.8%	10.6%	10.6%
Amortisation	–	–	–	–
EBIT	5,495	14,583	9,088	165.4%
Net interest income	60	65	5	7.8%
NPBT	5,555	14,648	9,093	163.7%
Income tax expense	(924)	(2,618)	(1,694)	183.4%
NPAT	4,631	12,030	7,399	159.8%
Enrolments no.	7,654	9,334	1,680	21.9%
Average revenue realised per enrolment (\$)	\$1,785	\$3,075	\$1,290	72.2%

Revenue

FY2013 was a period of growth which saw revenues increase from \$13.7 million in FY2012 to \$28.7 million in FY2013, a 110% increase.

This growth was due to a number of factors which are summarised below:

- FY2013 was CTI's first full year of trading following the establishment of a number of TAFE Partnerships therefore an immaterial amount of revenue was generated by CTI in FY2012;
- FY2013 also saw student enrolments increase from approximately 7,700 in FY2012 to approximately 9,300 in FY2013 which was due to CTI establishing the TAFE Partnerships (as noted above) as well as Corporate clients expanding their training needs; and
- in addition there was an increase in the average revenue realised per enrolment as higher subsidy course were targeted in line with the skills shortages supported by SkillsVic and in particular Cert III and Cert IV trade based qualifications.

Overheads

The increase in overheads between FY2012 and FY2013 was due to the following:

- volume driven increase (predominantly trainers and training facility costs) consistent with the growth seen in revenue; and
- increase in corporate and administrative overheads as a result of the increased number of students and requirement for processing students claims.

EBITDA

EBITDA margin percentage increased due to scale advantages as larger class sizes were established and the increased volume of short fee for service courses which are delivered at higher margins.

5.10.5 Pro forma Historical Income Statements: FY2014 vs FY2013

Table 10: Pro forma Historical Income Statements: FY2014 vs FY2013

	FY2013 Pro Forma \$'000	FY2014 Pro Forma \$'000	Movement	
			\$'000	%
Revenue	28,701	33,381	4,680	16.3%
Overheads	(13,662)	(17,729)	(4,067)	29.8%
EBITDA	15,039	15,652	613	4.1%
EBITDA margin %	52.4%	46.9%	(5.5)%	(5.5)%
Depreciation	(456)	(514)	(58)	12.6%
EBITA	14,583	15,138	555	3.8%
EBITA margin %	50.8%	45.3%	(5.5)%	(5.5)%
Amortisation	–	–	–	–
EBIT	14,583	15,138	555	3.8%
Net interest income	65	66	1	1.8%
NPBT	14,648	15,204	556	3.8%
Income tax expense	(2,618)	(2,359)	259	(9.9)%
NPAT	12,030	12,845	815	6.8%
Enrolments no.	9,334	10,741	1,407	15.1%
Average revenue realised per enrolment (\$)	\$3,075	\$3,108	\$33	1.1%

Revenue

FY2014 was also a period of growth which saw revenues increase from \$28.7 million in FY2013 to \$33.4 million in FY2014, a 16.3% increase.

This growth was due to a number of factors which are summarised below:

- the continued growth of CTI as additional TAFE Partnerships were established during FY2014 in addition to expanded enrolments from existing TAFE Partnerships established in FY2013;
- enrolments increased from approximately 9,300 in FY2013 to approximately 10,700 in FY2014 mainly due to the expanded TAFE Partnerships noted above; and
- the average revenue realised per enrolment also increased as Australian Careers Network Group continued to target higher subsidy courses as well as the completion of a larger number of courses which commenced during the latter part of FY2013.

Overheads

The increase in overheads in FY2014 compared to FY2013 was predominantly due the following:

- volume driven increase (predominantly trainers, training facility costs and student acquisition costs) consistent with the growth seen in revenue;
- an increase in compliance and administrative support as well as increased corporate sponsorship and student acquisition costs. During FY2014 Australian Careers Network Group increased the compliance and government liaison headcount in order to maintain the required compliance framework for the expanded group. Corporate sponsorship arrangements were also secured with a number of sporting clubs and industry bodies in addition to in house business development specialists; and
- In FY2014 Australian Careers Network Group also increased the administrative support function.

EBITDA

EBITDA margin percentage decreased due to the increased fixed compliance and administrative support costs referred to above. The increased compliance framework is expected to support further growth in student enrolments.

Financial information

5.10.6 Cash Flow

The following comments are made in relation to the pro forma historical cash flow statements set out in section 5.9:

- Australian Careers Network Group has experienced strong cash conversion for FY2012, FY2013 and FY2014 due to the timing of government payments;
- the forecast decrease in the cash conversion ratio for FY2015 is predominantly due to the investment in working capital in line with the forecast growth; and
- Capex relates to training facilities and course materials and is consistent year on year.

5.11 Forecast Financial Information

The Forecast Financial Information has been prepared based on key accounting policies adopted by Australian Careers Network Group, which are in accordance with Australian Accounting Standards and are disclosed in Section 11. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Australian Careers Network Group's accounting policies in FY2015.

The Forecast Financial Information is based on various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Australian Careers Network Group has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for FY2015. Australian Careers Network Group believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in section 5.11.1.

However, the actual results for FY2015 are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Australian Careers Network Group, the Directors and management, and are not reliably predictable.

Accordingly, none of Australian Careers Network Group, its Directors, management, or any other person can give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in the amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

Potential investors should note that past financial performance is not necessarily a guide to future financial performance.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in section 5.12, the risk factors set out in section 4 and the Investigating Accountant's Report on the Forecast Financial Information set out in section 6. A reconciliation of the pro forma Forecast Financial Information to the statutory Forecast Financial Information is set out in section 5.3.1.

5.11.1 General Assumptions

In preparing the Forecast Financial Information, the following general assumptions in relation to the forecast period have been adopted:

- no material change in the competitive operating environments in which Australian Careers Network Group operates;
- no significant deviation from current market expectations of global or Australian economic conditions relevant to the VET sector in Australia;
- no material changes in Commonwealth, state or territory government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flow, financial position, accounting policies, financial reporting or disclosure of Australian Careers Network Group;
- no material changes in key personnel, including key management personnel. It is also assumed that Australian Careers Network Group maintains its ability to recruit and retain the personnel required to support future growth;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on Australian Careers Network Group's financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material industrial strikes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of Australian Careers Network Group;
- no material cash flow or income statement or balance sheet impact in relation to litigation (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments other than set out in, or contemplated by, this Prospectus;
- no material changes to Australian Careers Network Group's corporate and funding structure other than set out in, or contemplated by, this Prospectus;

- no material disruptions to the continuity of operations of Australian Careers Network Group or other material changes in its business;
- no material amendment to any material agreement or arrangement relating to Australian Careers Network Group's business other than set out in, or contemplated by, this Prospectus;
- none of the risks set out in section 4 has a material adverse impact on the operations of Australian Careers Network Group;
- no changes to taxation legislation; and
- the Offer proceeds are received in accordance with the timetable set out in the Key Offer Information section of this Prospectus.

5.11.2 Specific assumptions

The Pro forma Forecast Income Statement for FY2015 has been prepared utilising actual unaudited results for the 2 months to 31 August 2014 for each of the entities forming Australian Careers Network Group. Australian Careers Network Group's forecast for the ten months ending to 30 June 2015 has been prepared with regard to the current trading performance of each of the entities forming Australian Careers Network Group up until the date of this Prospectus.

Set out below is the Pro forma Forecast Income Statement for FY2015 with a comparison to the Pro forma Historical Income Statement for FY2014:

Table 11: Pro forma Income Statements: Forecast FY2015 vs Historical FY2014

	FY2014 Pro Forma \$'000	FY2015 Pro Forma \$'000	Movement	
			\$'000	%
Revenue	33,381	56,135	22,754	68.2%
Overheads	(17,729)	(30,658)	(12,929)	72.9%
EBITDA	15,652	25,477	9,825	62.8%
EBITDA margin %	46.9%	45.4%	(1.5)%	(1.5)%
Depreciation	(514)	(362)	152	(29.6)%
EBITA	15,138	25,115	9,977	65.9%
EBITA margin %	45.3%	44.7%	(0.6)%	(0.6)%
Amortisation	–	(2,105)	(2,105)	–
EBIT	15,138	23,010	7,872	52.0%
Net interest income	66	198	132	200.0%
NPBT	15,204	23,208	8,004	52.6%
Income tax expense	(2,359)	(6,962)	(4,603)	195.1%
NPAT	12,845	16,246	3,401	26.5%
Enrolments no.	10,741	14,568	3,827	35.6%
Average revenue realised per enrolment (\$)	\$3,108	\$3,853	\$745	24.0%

Revenue

Australian Careers Network Group is forecast to generate strong revenue growth in FY2015 of \$22.8 million, or 68.2% based on the following key forecast assumptions which are set out in the order of significance as they relate to the growth in revenue. Revenue forecasts have been prepared at an individual operating entity level using forecast course enrolment by qualification and available subsidy by qualification at the date of the Prospectus. The forecast revenue growth set out in Table 11 above is forecast to be achieved by a combination of an increase in student enrolments and an increased in the average revenue realized per student enrolment (refer to Table 4 in Section 5.3.2 for a split of these 2 drivers compared to previous years).

Enrolments

Student enrolments are forecast to increase from approximately 10,700 in FY2014 to approximately 14,600 in FY2015 which is forecast to contribute approximately \$11.9 million of the forecast revenue growth in FY2015. Actual new enrolments for the 3 months ended 30 September 2014 were approximately 3,100 which is 21.2% of the total forecast enrolments for FY2015.

Financial information

The forecast increase in enrolments for FY2015 is assumed to be due to the following;

TAFE Partnerships

- The increase in revenue realised from the TAFE Partnerships is forecast to be generated by offering VET FEE HELP for eligible students through the TAFE Partnerships (as discussed in Section 2.3). Between 1 October 2014 and 20 October 2014 the number of confirmed enrolments for the Diploma in Management amounted to 172 students with in excess of 200 applications still being reviewed to assess the suitability of the course for the individual applicant. The total number of enrolments forecast for FY2015 VET FEE HELP funding for the Diploma in Management is 600 which is forecast to contribute \$5.4 million in revenue. This course was not available prior to FY2015. The reduction in enrolments for the TAFE Partnerships across other courses offered in FY2014 is due the acquisition by Australian Careers Network Group of a number of owned RTOs (as discussed in Section 2.6) with increased student enrolments being forecast to be channeled through the owned RTOs rather than the TAFE Partnerships (which is discussed in further detail below);

Owned RTOs

- The total forecast number of enrolments for owned RTOs in FY2015 is approximately 10,000 enrolments (actual enrolments for owned RTOs in FY2014 were approximately 6,500). As discussed in Section 2.2 Australian Careers Network Group has an effective student enrolment acquisition model. Australian Careers Network Group has increased the size of its third party business development and co-training relationships targeting students that are eligible for funding for Cert III and Cert IV qualifications in particular. This channel is forecast to source approximately 50% of FY2015 forecast enrolments. Prior to the formation of the Australian Careers Network Group each individual RTO had limited business development and student acquisition capabilities and infrastructure. With Australian Careers Network Group's hub and spoke approach (as discussed in Section 2.2) each of the individually acquired RTOs are forecast to benefit from the expanded business development and student acquisition capability as evidenced by the new student enrolments for the 3 months ended 30 September 2014. The increased business development capability consists of 12 Business Development Managers each of whom have a particular industry focus consistent with the current scope of courses. Each Business Development Manager has a target of a minimum of 500 new enrolments in FY2015 which if met accounts for approximately 6,000 enrolments from this source alone. At the date of the Prospectus each of the Business Development Managers are exceeding their set targets on a pro rata basis.
- Australian Careers Network Group has also established 2 active call centres which has doubled the size of the student procurement capabilities which also includes a team of industry specialists that are actively recruiting corporate and individual students across the existing scope of qualifications. The call centres generate a significant number of leads per week via social media, relationships with recruitment companies and corporate relationships which are subsequently converted to student enrolments. As noted below (in the direct costs discussion) the business development and student acquisition costs are forecast at \$6.5 million for FY2015 compared to \$2.8 million incurred in FY2014. This increased capability is forecast to contribute the majority of the forecast increased enrolments in FY2015 compared to actual enrolments in FY2014.
- Australian Careers Network Group also has various corporate sporting sponsorship arrangements that provide reciprocal benefits of securing relationships with corporate clients and students (refer to the discussion in Section 2.2 for a description of these arrangements). Approximately 35% of student enrolments in FY2015 are forecast to be secured through this channel. As discussed in the "Corporate Case Study" set out in Section 2.4 CTI has entered into a joint venture arrangement with an Australian building company to provide tailored training solutions. The FY2015 forecast assumes this training will be delivered for Certificate III and Certificate IV trade based qualifications for approximately 600 students. As at the date of the Prospectus this training has already commenced. In addition Australian Careers Network Group has aligned itself with various industry and community based enterprises which are forecast to contribute enrolments for existing course which require specialist equipment or facilities for example health and aged care; and
- Australian Careers Network Group also expects to continue expanding the partnership with the network of JSA's which are able to provide a broad spectrum of suitable courses although this is not included in the FY2015 forecast assumptions.

Average revenue realised per enrolment

The average revenue realised per student enrolment is forecast to increase from approximately \$3,100 in FY2014 to approximately \$3,900 in FY2015 which accounts for approximately \$10.8 million of the forecast increase in revenue. The forecast increase in average revenue realized per student is due to the following:

TAFE Partnerships

- As discussed above Australian Careers Network Group has expanded the TAFE Partnership to provide a Diploma in Management which qualifies for VET FEE HELP funding for which CTI will receive approximately \$9,000 per student. The Diploma in Management was not offered prior to FY2015 and is forecast to contribute total revenue of approximately \$5.4 million. When combined with the existing enrolments channeled through the TAFE Partnerships this is forecast to increase the average revenue realized per enrolment from the TAFE Partnerships from approximately \$3,400 in FY2014 to approximately \$4,400 in FY2015.

Owned RTOs

- Following the acquisition of the RTO's (as discussed in Section 2.6) the revenue realised for non TAFE students is increased by up to 40% per student due to the fee sharing model with the TAFE's. Australian Careers Network Group's strategy is to channel applicable students through its owned RTOs whilst still supporting the current TAFE Partnerships. The forecast increase in enrolments is forecast to be predominately through the owned RTOs which accounts for additional revenue of approximately \$7.1 million compared to if the students had been channeled through the TAFE Partnerships;
- The FY2015 forecast also assumes changes to the mix of courses offered and the subsidy levels available from state governments. In FY2015 a number of courses offered by Australian Careers Network Group have actually experienced reduced subsidy levels particularly Cert III trade based qualifications and these amended subsidy levels are included in the forecast assumptions;
- COVE has designed a Certificate III warehouse and logistics dual qualification which attracts a higher funding subsidy, this dual qualification course commenced in October 2014 and is forecast to generate approximately \$8.8 million in revenue in FY2015 based on approximately 700 forecast enrolments, this dual qualification was not offered prior to FY2015;
- CTI is in advanced discussion to secure a number of traineeships through the corporate client relationships which result in a higher subsidy. The forecast revenue for traineeships in FY2015 amounts to \$1.2 million, these traineeships were not offered prior to FY2015;
- The FY2015 forecast assumptions are based on an 80% course completion rate which is consistent with the completion rates achieved between FY2012 and FY2014;
- The FY2015 forecast also assumes the expansion of the provision of courses in skills shortage focused industries for example health and aged care which are forecast to contribute approximately \$4.1 million in revenue in FY2015 compared to approximately \$2.3 million in FY2014;
- The forecast assumptions for FY2015 do not include any potential revenues generated by Australian Careers Network Group from the introduction of the demand driven model in either Queensland or New South Wales; and
- No other material changes to state or Commonwealth funding arrangements have been assumed as at the date of the Prospectus details of any specific proposed changes which would directly impact the forecast assumptions noted above are unknown (refer to the discussion in Section 2.3 "Funding Sources").

The table set out below summarises the key assumptions in relation to the forecast increase in FY2015 student enrolments discussed above:

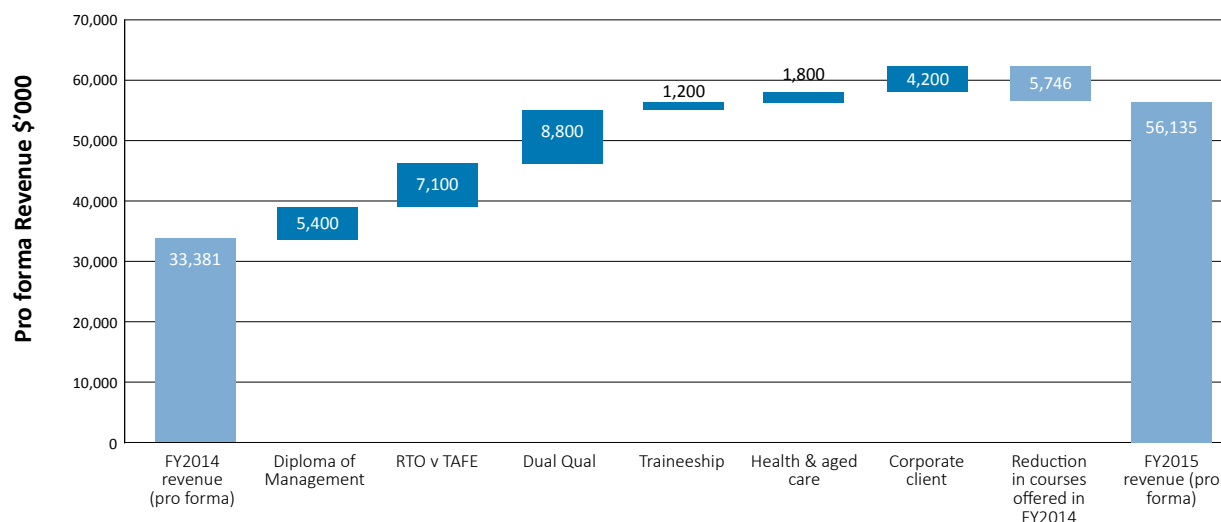
Table 12: Summary of Increase in FY2015 Forecast Enrolments

Number of student enrolments	TAFE	RTO	Total
FY2014 (pro forma)	4,222	6,519	10,741
Diploma of Management	600	-	600
Referred to RTO's	(1,174)	1,174	-
Corporate client		600	600
Dual Cert III Warehousing Ops and Competitive Systems	-	720	720
Traineeship	-	155	155
Additional generated by BD activities	-	1,752	1,752
FY2015 (pro forma)	3,648	10,920	14,568

Financial information

The following diagram summarises the key assumptions in relation to the forecast increase in FY2015 revenue discussed above:

Table 13: Summary of Key Forecast Assumptions for Increase in FY2015 Revenue



Overheads

- Staff and contractor training costs are forecast to increase in line with the increased enrolments. The majority of training costs are variable in nature and have been assumed to be consistent as a percentage of revenue to that achieved in FY2014; Australian Careers Network Group sources its trainers through reputation, its trade network (through which suitable teachers are identified and trained) and through various advertising channels. Australian Careers Network Group does not consider the access to suitably qualified trainers to be a risk or constraint to achieving the FY2015 forecasts. As at 30 September 2014 a significant number of qualified trainers had already been secured in anticipation of the increased enrolments (as discussed above);
- Class sizes and training in the work place have also been assumed at consistent levels to FY2014 and therefore no further scale advantages have been forecast based on the current classroom capacity (including external room hires). A significant amount of training and assessment is also conducted on site;
- Business development and student acquisition costs are forecast to increase from \$2.8 million to \$6.5 million reflecting the forecast increased enrolments. Business development and student acquisition costs include a full year impact of the dedicated call centres established during FY2014 in addition to corporate sponsorship of sporting clubs and industry bodies;
- Significant investment in the compliance and government liaison framework was implemented in FY2014 with FY2015 including the full year impact of the expanded costs structure;
- The expanded accounting and administration cost structure implemented during the latter part of FY2014 are forecast at a full year impact in FY2015; and
- Additional costs in FY2015 have been assumed to provide for listing and compliance costs as well as Directors fees.

EBITDA

Overall, Australian Careers Network Group's EBITDA is forecast to increase from \$15.7 million in FY2014 to \$25.5 million in FY2015 an increase of \$9.8 million, or 62.8%. However Australian Careers Network Group's EBITDA margin is forecast to decrease from 46.9% in FY2014 to 45.4% in FY2015 reflecting the impact of the above factors and in particular the increased cost base.

Cash Flow

The increase in working capital is primarily growth related, as evidenced by the growth in EBITDA.

5.12 Sensitivity analysis

The Forecast Financial Information set out in section 5.11 is based on a number of assumption as described in sections 5.11.1 and 5.11.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Australian Careers Network Group, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the pro forma forecast results for FY2015 to changes in a number of key assumptions. The changes in key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Table 14: Sensitivity analysis

Assumption	Increase/decrease Forecast	FY2015 NPAT impact \$'000
Number of enrolments	+/- 1%	+/-561
EBITDA margin %	+/- 1.5%	+/-842
Staff and contractor costs	+/- 1%	+/-123

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables in order to illustrate their likely impact on the Forecast Financial Information. In practice, changes in assumptions may offset each other or be cumulative and it is likely that management would respond to any adverse change in any one assumption to seek to minimise the net effect on Australian Careers Network Group's financial performance.

5.13 Dividend Policy

The payment of dividends by Australian Careers Network Group is at the complete discretion of Directors.

Depending on available profits and the financial position of Australian Careers Network Group, it is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. The payment of a dividend by Australian Careers Network Group is at the discretion of Directors and will be a function of a number of factors including the general business environment, the operating results and financial condition of Australian Careers Network Group, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Australian Careers Network Group, and any other factors the Directors may consider relevant.

For FY2015, the Directors intend to target a dividend payout ratio of between 60% and 70% of pro forma NPATA, adjusted to reflect the period from Listing to 30 June 2015.

Subject to the above considerations, beyond FY2015, the Directors intend to target a payout ratio of between 60% and 70% of statutory NPATA. The level of payout ratio is expected to vary between periods depending on the factors above and, in particular, should value accretive strategic growth, acquisition or investment opportunities arise it may result in a payout ratio in the future that is less than the above target.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

No dividend reinvestment plan has been assumed to be activated by Australian Careers Network Group during the forecast period.

Financial information

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Investigating accountant's report



6

Investigating Accountant's Report



Grant Thornton

An instinct for growth™

Board of Directors
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26 November 2014

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Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

We have been engaged by Australian Careers Network Limited ("ACN, or the "Company") to report on the pro forma historical and pro forma forecast financial information of the Company for inclusion in the Second Replacement Prospectus (the "Prospectus") to be dated 26 November 2014, relating to the issue and sale of ordinary shares in the Company.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested Grant Thornton Corporate Finance to review the following financial information of the Company included in the Prospectus:

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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Historical Financial Information

The historical financial information, as set out in the Prospectus comprises:

- The pro forma historical consolidated statement of comprehensive income for FY2012, FY2013 and FY2014;
- The pro forma historical consolidated statement of cash flows for FY2012, FY2013 and FY2014; and
- The pro forma historical consolidated statement of financial position as at 30 June 2014.

(Hereafter the “Pro Forma Historical Financial Information”).

ACN was incorporated on 17 March 2014 as a public company to enable the listing on the ASX. There are no actual historical consolidated financial results for the Company. The Pro Forma Historical Financial Information presented in the Prospectus reflects a pro forma consolidation of the group that will comprise the Australian Careers Network Group from listing, and therefore assumes both the contemplated Acquisitions and listing.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Australian Careers Network Limited. The Pro Forma Historical Financial Information, after adjusting for the pro forma impact of the Acquisitions, is set out in **Section 5** of the Prospectus. The Pro Forma Historical Financial Information has been extracted from the audited financial statements or unaudited financial statements of the entities forming the Acquisitions. The Pro Forma Historical Financial Information has been adjusted for non-recurring items and other adjustments to reflect the Australian Careers Network Group’s operations following completion of the Acquisitions and the Offer and to as set out in **Section 5.3** and **5.4**.

The stated basis of preparation is the recognition and measurements principles contained in Australian Accounting Standards and Australian Careers Network’s adopted accounting principles applied to the historical financial information and the event(s) or transactions(s) to which the pro forma adjustments relate, as described in **Section 5.3** of the Prospectus, as if those event(s) or transactions(s) had occurred as at the date of the Historical Financial Information. Due to their nature, the Pro Forma Historical Financial Information does not represent Australian Careers Network’s actual or prospective financial position, financial performance, and/or cash flows.

The Pro forma Historical Consolidated Statement of Financial Position as at 30 June 2014 also assumes completion of the proposed transactions outlined in **Section 5.4** of the Prospectus which includes the Acquisitions and the Offer (the “Pro Forma Transactions”) as though they had occurred on that date.

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The Pro forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Forecast Financial Information

The pro forma and statutory forecast financial information, as set out in the Prospectus comprises:

- The pro forma and statutory forecast consolidated statement of comprehensive income for FY2015; and
- The pro forma and statutory forecast consolidated statement of cash flows for FY2015.

(Hereafter the “Forecast Financial Information”).

The Forecast Financial Information as described in **Section 5** of the Prospectus has been prepared in accordance with the Directors’ best estimate assumptions. The stated basis of preparation used in the preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and Australian Careers Network’s adopted accounting policies. The pro forma forecast financial information includes pro forma adjustments applied to the statutory forecast financial information as set out in **Section 5.9** of the Prospectus as if those events or transactions had occurred at that date of the forecast. Due to its nature, the pro forma forecast financial information does not represent Australian Careers Network’s actual prospective performance or cash flows for FY2015.

The Pro Forma Historical Financial Information and the Forecast Financial Information are collectively referred to as the “Financial Information”.

Directors’ Responsibility

The Directors of Australian Careers Network are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the Pro Forma Transactions set out in **Sections 5.3** and **5.4** of the Prospectus and the basis of preparation of the Pro Forma Historical Financial Information.

The Directors of Australian Careers Network are also responsible for the preparation of the Statutory Forecast including its basis of preparation and for the determination of the best estimate assumptions as set out in **Section 5.11** of the Prospectus. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast.



This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the directors determine necessary to enable the preparation of the Pro Forma Historical Financial Information and Forecast Financial Information that are free from material misstatement.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450: *“Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information”*.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit or review reports on any financial information used as a source of the Financial Information.

Conclusions

Historical Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information of Australian Careers Network as described in **Section 5** of the Prospectus does not present fairly:

- The pro forma historical consolidated statement of comprehensive income for FY2012, FY2013 and FY2014;
- The pro forma historical consolidated statement of cash flows for FY2012, FY2013 and FY2014, and
- The pro forma historical consolidated statement of financial position as at 30 June 2014;
- The Pro Forma Transactions do not provide a reasonable basis for the Pro Forma Historical Financial Information;
- The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions set out in **Sections 5.3** and **5.4** of the Prospectus; and

Investigating Accountant's Report



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- The Pro Forma Historical Financial Information does not present fairly Australian Careers Network's pro forma historical consolidated statement of financial position as at 30 June 2014,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma Transactions set out in **Section 5.4** of the Prospectus had occurred at 30 June 2014.

Forecast Financial Information

Based on our review of the Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Forecast Financial Information, nothing has come to our attention which causes us to believe that:

- The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Forecast Financial Information;
- The Forecast Financial Information was not prepared on the basis of the best estimate assumptions;
- The Forecast Financial Information does not present fairly:
 - i) The forecast consolidated statement of comprehensive income for FY2015; and
 - ii) The forecast consolidated statement of cash flows for FY2015,

in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.

The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Australian Careers Network Group for FY2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different to the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material.

The directors best estimate assumptions on which the Forecast Financial Information are based relate to future events and/ or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside of the control of Australian Careers Network. Evidence may be available to support the directors best estimate assumptions on which the



Forecast Financial Information is based, however, such evidence is generally future orientated and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly provide a lesser level of assurance on the reasonableness of the Directors best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in **Sections 4 and 5.12** of the Prospectus.

The sensitivity analysis described in **Section 5.12** of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Australian Careers Network Group, that all material information concerning the prospects and proposed operations of the Australian Careers Network Group has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to **Section 5.2** of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

Grant Thornton Corporate Finance has consented to the inclusion of this Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Investigating Accountant's Report



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Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully

GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke
Partner

Adam Pitts
Partner – Audit & Assurance



Appendix A (Financial Services Guide)

Level 17, 383 Kent Street
Sydney NSW 2000

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E info.nsw@au.gt.com
W www.grantthornton.com.au

This Financial Services Guide is dated 26 November 2014.

About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) ("Grant Thornton Corporate Finance") has been engaged by Australian Careers Network Limited ("the Company") to provide a report in the form of Independent Limited Assurance Report for inclusion in the Second Replacement Prospectus dated 26 November 2014 ("the Prospectus") relating to the offer of shares in the Company ("the Issue"). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

This Financial Services Guide

This Financial Services Guide ("FSG") is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and to deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another's acts or omissions. In the Australian context only, the use of the term 'Grant Thornton' may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

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Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including this report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report our fees are charged on a fixed basis. Partners, Directors or employees of Grant Thornton Corporate Finance, Grant Thornton Australia Ltd, or other associated entities, may receive dividends, salary or wages from Grant Thornton Australia Ltd. The fees charged for the preparation of this report agreed by the Company amount to \$300,000.

Associations with issuers of financial products

Grant Thornton Corporate Finance and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business. Grant Thornton Audit Pty Ltd has been appointed as the Company's auditor.

Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000

Board and management





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Board and management


7.1 Board of Directors

ACN is led by an experienced Board, which aims to continue to drive the success of the Company.

	Name	Stephen Ray Williams LLB Bachelor of Laws (Sydney)
	Role	Chairman and Non-executive Director
	Expertise	<p>Stephen is a retired partner of Kemp Strang Lawyers in Sydney and is a company director with over 35 years' experience in corporate and business transactions, including IPOs and advising ASX listed companies and experience in the education sector.</p> <p>Stephen is also the former chairman and non executive director of Coffey International Limited (for 16 years) and non executive director of PrimeAg Australia Limited.</p> <p>Stephen is the current chairman and non-executive director of ASX listed, Axiom Mining Limited and the current chairman of Sydney Church of England Grammar School (Shore), Sydney.</p>
	Independence or affiliations	Independent
	Interests In Shares	Nil
	Remuneration	\$80,000 per annum

	Name	Ivan Robert Brown
	Role	CEO and Managing Director
	Expertise	<p>Mr Brown is the CEO and co-founder of Community Training Initiatives and has been instrumental to its growth and success.</p> <p>Mr Brown has had a substantial career working in the VET sector in executive management roles.</p> <p>He holds a Masters of Business Administration (Finance), Graduate Certificates in Management (Learning), Vocational Education and Training, Management and Human Resource Management and a Graduate Diploma in Community Sector Management.</p> <p>He is a Fellow of the Australian Institute of Management.</p>
	Independence or affiliations	Director of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a substantial Shareholder), an entity which holds 24,994,445 Shares, comprising 33.305% of the issued capital of the Company at the date of this Prospectus.
	Interests In Shares	<p>At the date of the Prospectus, Ivan Robert Brown has an indirect interest in 24,994,445 Shares (which are directly held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, an entity controlled by Ivan Robert Brown). It is proposed that 1,676,471 existing Shares held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust be transferred to Applicants under this Prospectus with the result that on completion of the Offer under this Prospectus, Ivan Robert Brown will have an indirect interest in 23,267,974 Shares comprising 27.78% of the issued capital of the Company.</p>
	Remuneration	\$300,000 per annum (plus superannuation)

	Name	Raymond Keith Griffiths
	Role	Non-executive Director
	Expertise	<p>Mr Griffiths is currently also a director of Midweek Consulting Pty Ltd (a professional services business primarily offering analysis and advice around matters of governance, leadership and management of complex educational enterprises), VET Development Centre Pty Ltd (a Victorian Government-owned entity offering professional development programs to RTOs operating in Victoria) and his self-managed superannuation fund, Griffinx Pty. Ltd.</p> <p>Mr Griffiths is also the former CEO of Kangan Institute.</p> <p>He holds a Diploma from the Australian Institute of Company Directors (AICD), Master of Education (Leadership and Management), Diploma of Frontline Management, Diploma of Education and Bachelor of Economics.</p> <p>Mr Griffiths is a member of the AICD and has published several articles of relevance to the VET sector.</p>
	Independence or affiliations	Independent
	Interests In Shares	Nil
	Remuneration	\$50,000 per annum

	Name	Craig Graeme Chapman
	Role	Non-executive Director
	Expertise	<p>Mr Chapman has over 25 years experience in service industries, including holding senior management roles with hotels, travel companies, theme parks and the property industry with particular emphasis on consolidations over the last 14 years.</p> <p>Mr Chapman has held senior finance and operational roles with well established organisations, including Ramada Hotels & Resorts, Stamford Hotels & Resorts, Jones Lang LaSalle, S8 Limited, Greencross Limited and G8 Education Limited.</p> <p>Mr Chapman has held senior management, company secretarial and director positions with 4 ASX listed companies. Mr Chapman is currently a non-executive director of Agenix Limited.</p> <p>He holds a Bachelor of Commerce and Graduate Diploma in Company Secretarial Practice, is a CPA and a member of the Institute of Chartered Secretaries and Administrators.</p>
	Independence or affiliations	Independent
	Interests In Shares	500,000 Shares held indirectly through Nampac Discretionary Trust.
	Remuneration	\$50,000 per annum – to be satisfied by the issue of 29,412 Shares at the Offer Price on completion of the Offer.


Board and management



Name	Bruce Mackenzie
Role	Non-executive Director
Expertise	<p>Bruce is the former chief executive of the Holmesglen Institute, a large TAFE institution in relation to overseas students and Australia's first quality assured education institution.</p> <p>Bruce has several years' experience in the VET sector, including international assignment such as AUSAID programs in China and the placement of staff and the training of apprentices in Qatar for the oil and gas industry.</p> <p>Bruce is the holder of public service medal (Australia Day honours) for outstanding services to vocational education</p> <p>He holds a Bachelor of Arts, a Master of Education and is a Doctor of the University of Canberra.</p> <p>Bruce is a senior fellow at the LH Martin Institute, Faculty of Education, University of Melbourne.</p>
Independence or affiliations	Independent
Interests In Shares	Nil
Remuneration	\$50,000 per annum

7.2 Senior management

ACN is led by highly experienced management, which will drive the success of the Company. Senior management includes Ivan Robert Brown – Chief Executive Officer.

	Name	David Green
	Role	Company Secretary and Chief Financial Officer
	Expertise	<p>Mr Green joined the Australian Careers Network Group as Chief Financial Officer and Company Secretary in April 2014.</p> <p>Mr Green is a Chartered Accountant with over 25 years' commercial experience. His professional career commenced with Ernst & Young (initially in Australia and then over a period of 5 years in the UK) followed by a number of senior finance appointments in commerce. In the last 15 years, he has held the position of Chief Financial Officer and Company Secretary for a number of listed and unlisted Australian companies in industries including healthcare, agriculture, renewables, retail electricity, manufacturing and biotechnology.</p> <p>Mr Green has had significant experience in both private treaty acquisitions and takeover transactions. With a strong background in financial and operational restructuring, he has assisted with the development of cost rationalisation strategies, corporate restructures, industry roll-ups and strategic alliance negotiations. He has also played a pivotal role in capital management and major fund raising activities (in both local and international debt and equity markets) together with corporate investor relations and media liaison.</p> <p>Mr Green holds a Bachelor of Economics and a Master of Applied Finance.</p>
	Independence or affiliations	Independent
	Interests In Shares	Nil
	Remuneration	\$275,000 per annum (plus superannuation)

Board and management



Name	Harry Kochhar
Role	Chief Operations Officer
Expertise	<p>Mr Kochhar has significant experience in RTOs, encompassing 10 years in senior management positions, including strategic management roles and operational management roles. Most recently, Mr Kochhar held the role of operations manager for Aegis Services Australia Limited, a global business process outsourcing company with over 55,000 employees.</p> <p>Mr Kochhar has been involved in the application, implementation and stakeholder management of funded and fee for service programs. His experience includes defining and monitoring project budgets, identifying market needs and executing strategy to fulfil labour market needs.</p> <p>Mr Kochhar has extensive practical training experience through his training roles with William Angliss Institute of TAFE, Holmes Institute, Sarina Russo Institute & Sarina Russo Schools, MCIE and Futurum Australia.</p> <p>In his current role, Mr Kochhar ensures appropriate course content and delivery, identifies and implements corrective actions plans to meet regulatory compliance requirements and plays an integral role in acquisition integration and the due diligence process prior to completing new acquisitions.</p> <p>Mr Kochhar holds several qualifications in workplace training and assessment, including a Diploma in Management and Certificate IV in Training and Assessment and several industry affiliations.</p>
Independence or affiliations	Independent
Interests In Shares	Nil
Remuneration	\$160,000 per annum plus superannuation

7.3 Directors' Interests

At the date of the Prospectus, Ivan Robert Brown has an indirect interest in 24,944,445 Shares (which are directly held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, an entity controlled by Ivan Robert Brown). It is proposed that 1,676,471 existing Shares held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust be transferred to Shareholders under this Prospectus with the result that on completion of the Offer under this Prospectus, Ivan Robert Brown will have an indirect interest in 23,267,974 Shares comprising 27.78% of the issued capital of the Company.

Other than as stated in this Section 7 and elsewhere in this Prospectus:

- no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director, or proposed Director to induce them to become, or to qualify as, a Director of the Company;
- no Director or proposed Director of the Company holds or has held at any time in the two years before lodgement of this Prospectus with ASIC, an interest in:
 - the formation or promotion of the Company;
 - the Offer of the Company's securities; or
 - property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; and
- no Director was paid or given, or agreed to be paid or given, any amount or benefit for services provided by such persons in connection with the formation or promotion of the Company or the Offer.

7.4 Directors' remuneration

The Constitution provides the following in relation to the remuneration of Directors:

- Non-executive Directors are to be paid such aggregate directors' fees as the Company in a general meeting determines, to be divided among them as agreed. The current maximum amount of directors' fees determined by the Company in a general meeting is \$400,000.
- If a Non-executive Director performs services, which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, the Company may remunerate that Director by payment of a fixed sum determined by the Directors in addition to or instead of the remuneration referred to above. Directors are also entitled to their reasonable travel, accommodation and other expenses incurred in attending Company or Board meetings, or meetings of any committee engaged in the Company's business.
- Each Executive Director is to be paid an amount of remuneration determined by the Board. The remuneration of Executive Directors is determined by the Directors after recommendations are received from the remuneration committee. Under the Listing Rules an Executive Director's remuneration may not be commission on, or a percentage of, operating revenue.

Below is a table detailing the amount of remuneration each Director of ACN is entitled to receive as at the date of this Prospectus:

Director	Director's Fees	Remuneration
Stephen Williams	\$80,000	0
Ivan Robert Brown	0	\$300,000**
Raymond Keith Griffiths	\$50,000	0
Craig Graeme Chapman	\$50,000*	0
Bruce Mackenzie	\$50,000	0

* in scrip – to be satisfied by the issue of 29,412 Shares at the Offer Price on completion of the Offer.

** exclusive of superannuation

7.5 Directors' shareholdings in ACN

Directors are not required under the Constitution to hold any Shares in the Company. The Directors (and their associates) are entitled to apply for Shares in the Offer.

The table below sets out each Director's direct and indirect shareholding in ACN as at the date of this Prospectus.

Director	Direct Shares	%	Indirect Shares	%
Stephen Williams	0	0	0	0
Ivan Robert Brown	0	0	24,944,445	33.31
Raymond Keith Griffiths	0	0	0	0
Craig Graeme Chapman	0	0	500,000	0.67
Bruce Mackenzie	0	0	0	0

7.6 Deeds of confidentiality, access, indemnity and insurance for Directors

The Company has entered into deeds of confidentiality, access, indemnity and insurance with each Director.

Confidentiality: The deeds confirm the confidentiality obligations each Director owes the Company.

Access: The deeds confirm each Director's right of access to certain books and records of the Company for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires.

Indemnification: Pursuant to the Constitution, the Company is required to indemnify all Directors and employees, past and present, against all liabilities allowed under law. The deeds contain an indemnity in favour of each Director against all liabilities to another person that may arise from their position as Director or other officer of the Company or its subsidiaries to the extent permitted by law. The deeds stipulate that the Company will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

Insurance: Pursuant to the Constitution, the Company may arrange and maintain directors' and officers' insurance for its Directors and its officers to the extent permitted by law. The Company has entered into an agreement with each Director to obtain such insurance

Board and management

during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven years expires.

7.7 Other information

Directors may also be reimbursed for travel and other expenses incurred in attending to the Company's affairs.

Non-executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services which are not in the capacity as Director of the Company or a subsidiary.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

7.8 Corporate governance

The Board is responsible for the overall corporate governance of the Company. The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic goals of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the growth and success of the Company.

In conducting business with these objectives, the Board is concerned to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and employees operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Company including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company.

The following is a summary of policies and procedures that have been adopted by the Company in accordance with the ASX's Corporate Governance Principles and Recommendations (Third Edition) (**Recommendations**) and lodged with ASIC.

Board Charter: The Board Charter sets out the functions and responsibilities of the Board.

Audit and Risk Management Committee Policy: The Audit and Risk Management Committee Policy outlines the composition of the committee, its responsibilities, meeting requirements, reporting procedures and duties of the committee.

Nomination and Remuneration Committee Charter: The Nomination and Remuneration Committee Charter outlines the composition of the committee, its responsibilities, meeting requirements, reporting procedures and duties of the committee.

Code of Conduct: The Code of Conduct provides a set of guiding principles which are to be observed by all employees of the Australian Careers Network Group and addresses matters that are relevant to the Company's legal and ethical obligations to its Shareholders. The policy outlines requirements in respect of the Director's discharge of their duties, relationships, compliance with laws and ethics, conflicts of interest and confidentiality.

Share Trading Policy: The Share Trading Policy sets out the Company's policy with regard to trading in Company securities. The policy applies to all Directors, key management personnel and other employees of the Company and their associates. The policy outlines the general prohibition on insider trading, restrictions on trading, how permission to trade must be sought, what are trading windows and closed periods for trading and how proposed trading in securities must be notified to the Company.

Diversity Policy: The Diversity Policy provides a framework for the Company to set measurable objectives for achieving gender diversity and sets out the procedures by which the Board can report the progress of these objectives in order to achieve a diverse and skilled workforce.

Continuous Disclosure and Shareholder Communications Policy: The Continuous Disclosure and Shareholder Communications Policy sets out how the Company will comply with the continuous disclosure requirements of the ASX Listing Rules and how Shareholders are to be informed of all material developments in respect of the Company.

In accordance with the requirements of the Recommendations, the Company has prepared a Corporate Governance Statement which sets out the Company's current compliance with the Recommendations. The Company has complied fully with the Recommendations.

Copies of these policies and the Corporate Governance Statement are available in full on the Company's website at www.australiancareersnetwork.com.au. You are also able to obtain, free of charge, a copy of each of the above corporate governance policies and procedures by contacting the Company at its registered office during normal business hours during the Offer Period.

The Recommendations are not prescriptive regarding the conduct of ASX listed companies. Rather, an ASX listed company is required to disclose the reasons why it is not complying fully with its obligations under the Recommendations. To the extent that they are relevant to the organisation, the Company has adopted the Recommendations.

Following admission to the Official List of the ASX, the Company will be required to report any departures from the Recommendations in its annual report.

Details of the Offer



8

Details of the Offer

8.1 Important dates

Important dates*	
Offer opens	26 November 2014
Offer closes	29 December 2014
Allotment of Shares	6 January 2015
Expected despatch of Shareholder statements	8 January 2015
Shares expected to begin trading on the ASX	13 January 2015

Notes

* These dates and times are indicative only and may change. ACN reserves the right to vary the dates and times of the Offer without prior notice including closing the Offer before the scheduled Closing Date. Applicants are encouraged to submit their Application Forms as soon as possible after the Offer opens.

8.2 Description of the Offer

The Offer is an initial public offering of up to 23,176,471 existing Shares held by two Existing Shareholders (1,676,471 Shares held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, a company controlled by Ivan Robert Brown and 21,500,000 Shares held by Prakash Charan) and 8,823,529 new Shares in ACN at an Offer Price of \$1.70 per Share to raise a total of \$54.4 million.

Ivan Robert Brown and Prakash Charan are the founders of a number of companies in the Australian Careers Network Group. Consequently, they are the major shareholders of ACN. Increasingly, the driving force behind the business has been Ivan Robert Brown with the role of Prakash Charan becoming more limited over time. The Offer is seen as an opportunity for Prakash Charan to exit the business and, accordingly, Prakash Charan is selling down 21,500,000 Shares under the Offer. This exit is not expected to adversely impact the Australian Careers Network Group as Prakash Charan was primarily involved in sales and his role was reduced in 2013. He has since not undertaken a significantly active role in the Australian Careers Network Group. Prakash Charan has agreed to a restraint preventing him from competing with the business. Details of this restraint are set out in Section 9.4. There is no current agreement with Prakash Charan for him to provide an advisory role in the Australian Careers Network Group going forward.

On completion of the Offer, the Shares offered under this Prospectus will represent approximately 38.22% of the issued capital of the Company as set out in the table in Section 8.8.

Applications must be for a minimum of 1,500 Shares representing a minimum investment of \$2,550 and thereafter in multiples of 1,500 Shares (representing a further investment of \$2,550), and can only be made by completing the Application Form attached to this Prospectus

The Company reserves the right to reject any Application or to allocate any Applicant fewer Shares than the number applied for.

All Shares will be issued at the Offer Price and will rank equally with each other. The Shares are fully paid ordinary shares in the Company and will, once issued, rank equally with all other Shares on issue as at the date of this Prospectus.

A summary of the rights attaching to the Shares is set out in Section 10.3.

8.3 No Minimum Subscription

There is no minimum subscription under the Offer.

8.4 Amount to be raised

The amount to be raised under the Offer is \$54.4 million. The Company may accept Applications for 32,000,000 Shares at an Offer Price of \$1.70 per Share to raise \$54.4 million.

8.5 Purpose of the Offer and use of proceeds

The purpose of the Offer is to:

- pay for the acquisition of Training Experts Australia and Training Synergies;
- achieve a listing on the ASX and to broaden the Shareholder base;
- pay for costs associated with the Offer and listing;
- provide a more liquid market for Shares than presently exists; and
- provide funding for expansion including by organic means and to investigate acquisitions.

It is intended to apply funds raised from the Offer as follows:

Use of Proceeds	Maximum Subscription	
	\$	%
Pay IBT Holdings Pty Ltd as trustee for the IBT Holdings Family Trust for the transfer of 1,676,471 Shares under this Prospectus	2,850,000**	5.24
Pay Prakash Charan for the transfer of his 21,500,000 Shares to be transferred under this Prospectus	36,550,000**	67.19
Company expenses associated with the Offer	1,948,000	3.58
Commitments*	8,345,000*	15.34
Working capital	4,707,000	8.65
Total	54,400,000	100

* includes \$4,000,000 to be paid to the vendors of Training Experts Australia and Training Synergies for the acquisition of all of the shares in those companies.

** includes the amount of \$2.3 million which is the aggregate pro rata portion of the broker fee payable by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and Prakash Charan to Petra Capital Pty Ltd.

Note that in relation to the broker fee payable to Petra Capital Pty Ltd, the fee will be paid on a pro rata basis by each of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown), Prakash Charan and the Company.

The table below sets out the Company's cash commitments.

Commitments	\$'000	%
TEA acquisition	4,000	47.93
Deferred consideration	2,150	25.76
Finance leases	1,148	13.76
Operating leases (due within 1 year)	1,047	12.55
Pro forma commitments	8,345	100%

8.6 Costs of the Offer

The expenses connected with the Offer which are payable by ACN are estimated to be approximately \$1,948,000. These expenses comprise advisory, legal, accounting, tax, listing and administrative fees, Prospectus design and printing, marketing, Share Registry and other expenses.

8.7 Effect of the Offer on the future of ACN

The Directors are of the opinion that, following completion of the Offer, ACN will have enough working capital to carry out its stated objectives.

Details of the Offer

8.8 Capital structure

At the date of the Prospectus, the capital structure of ACN is as follows:

Shareholder	Number of Shares	% shareholding
IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (Ivan Robert Brown)	24,944,445	33.31
Prakash Charan	24,944,445	33.31
Peter Cage	111,110	0.15
Pre-IPO Shareholders	24,895,833	33.24
Total	74,895,833	100

* Includes seed investors who subscribed for convertible notes in ACN which were converted into Shares prior to the lodgment of this Prospectus and on completion of the acquisition by ACN of each of CTI, CLI Training, CTT, CEI and CIG. (Refer to Section 2.1)

Pro Forma Capital Structure of ACN on a fully diluted basis:

Shares	Subscription	
	Number	%
Non-vendored shares on issue as at the date of this Prospectus	51,719,362*	61.78
Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust under this Prospectus	1,676,471	2.00
Shares to be transferred from Prakash Charan under this Prospectus	21,500,000	25.68
Shares to be issued under this Prospectus	8,823,529**	10.54
Total Issued Shares on completion of the Offer	83,719,362	100

* Excludes 1,676,471 Shares to be transferred from IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and 21,500,000 Shares to be transferred by Prakash Charan under this Prospectus.

** Includes 29,412 Shares to be issued to Craig Chapman in accordance with the terms of his appointment as a Non-executive Director. Refer to Section 7.1.

There are 1.5 million Options on issue. The Options have an exercise price of \$4.20 per Option and expire in October 2017.

Investors should note that the Underwriter may elect to apply for Shares under the Offer.

8.9 Substantial Shareholders

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer (assuming full subscription and no existing substantial Shareholder subscribes and receives additional Shares pursuant to the Offer) are set out in the respective tables below.

As at the date of the Prospectus:

Shareholder	Shares	Undiluted	Fully Diluted
IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust*	24,994,445	33.31%	33.31%
Prakash Charan	24,994,445	33.31%	33.31%

* IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust is a company controlled by Ivan Robert Brown.

On completion of the Offer:

Name of Shareholder	Shares	%
IBT Holdings Pty Limited*	23,267,974	27.78

* IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust is a company controlled by Ivan Robert Brown.

8.10 How to apply for Shares in the Offer

Application for Shares can be made on the Application Form attached to this Prospectus. The Application Form must not be circulated unless attached to a complete and unaltered copy of this Prospectus.

The minimum Application is 1,500 Shares. The Offer price is \$1.70 per Share and minimum dollar amount is \$2,550. Thereafter Applications must be in multiples of 1,500 Shares for \$2,550.

Your Application Form must be accompanied by a cheque for the full amount of your Application. Cheques are to be drawn in Australian dollars and made payable to 'ACN Limited Application Account' and crossed 'Not Negotiable'. Payments by cheque will be deemed to have been made when the cheque is honoured by the bank on which it is drawn.

If an Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, the Company may still accept the Application. The Company's decision as to whether to accept the Application or how to construe, amend or complete it will be final, but no Applicant will be treated as having offered to purchase more Shares than indicated by the amount of the cheque for the Application Money.

Application Forms should be lodged in accordance with the instructions set out on the Application Forms.

Full instructions on how to apply for Shares and the completion of the Application Form are set out on the reverse side of the Application Form. If you have any doubts on how to apply for Shares or complete the Application Form, please consult your stockbroker, accountant or other professional adviser.

If you have any enquiries about the Offer, you should contact your broker or Link Market Services Limited on 1800 009 918 (from within Australia) or +61 1800 009 918 (from outside Australia).

8.11 Rights attaching to Shares

The rights attaching to Shares are detailed in the Company's Constitution. A summary of the rights attaching to Shares is set out in Section 10.3 of this Prospectus.

8.12 Dividend policy

There will be no dividend paid for the six months ending 31 December 2014.

Depending on available profits and the financial position of ACN, it is the intention of the Board to pay a dividend at the end of FY15. It is expected that all future dividends will be franked to the maximum extent possible.

The payment of a dividend by ACN is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of ACN, future funding requirements, capital

management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by ACN, and any other factors the Directors may consider relevant.

Having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio initially 60% to 70% of NPAT. The first dividend is anticipated to be paid in respect of earnings for the six months ending 30 June 2015. When determining the dividend to be paid in relation to the six months ending 30 June 2015 the Board intends to determine the appropriate payout ratio and apply it to the statutory NPAT for that period.

The ability to pay a dividend will also depend upon a number of other factors including the risk factors set out in Section 4.

The Directors cannot give any assurances as to the amount or timing of future dividends or franking credits attaching to such dividends.

8.13 Allotment

The Company will proceed to allocate Shares as soon as possible after the Closing Date. The Company reserves the right to allocate to any Applicant a lesser number of Shares than that applied for, or to decline any Application. Where no allocation is made to a particular Applicant or the number of Shares allocated is less than the number applied for by an Applicant, surplus Application Money will be returned to that Applicant within 30 days of the Closing Date. No interest will be paid on refunded Application Money.

Successful Applicants will be notified in writing of the number of Shares allocated to them as soon as possible following the allocation being made after the Closing Date. It is the responsibility of Applicants to confirm the number of Shares allocated to them prior to trading in Shares. Applicants who sell Shares before they receive notice of the number of Shares allocated to them do so at their own risk. No Shares will be allotted or issued on the basis of this Prospectus later than 13 months after the date of issue of this Prospectus.

The Company reserves the right to accept or reject any Application and to allocate to any Applicant fewer Shares than applied for by that Applicant.

8.14 Underwriting

The Offer is fully underwritten by Petra Capital Pty Limited. See Section 9.6 for a summary of the terms of the Underwriting Agreement.

Details of the Offer

8.15 ASX listing

ACN has applied to the ASX for admission to the Official List of ASX and for the quotation of its Shares on ASX.

The fact that ASX may admit ACN to the Official List is not to be taken in any way as an indication of the value or merits of the Company or the Shares offered for subscription.

Official quotation of the Shares, if granted, will commence as soon as practicable after the issue of initial shareholding statements to successful Applicants. If the Company has not been admitted to the Official List of ASX within three months after the date of this Prospectus, all Application Money will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

8.16 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

8.17 CHESS and issuer sponsored sub-register

The Company will apply to the ASX to participate in the Securities Clearing House Electronic Sub-register System known as CHESS. CHESS is operated by the ASX Settlement Pty Limited (**ASTC**) in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules. Under CHESS, the Company will not be issuing certificates to Applicants who elect to hold their Shares on the CHESS sub register. After allotment of Shares, Shareholders will receive a CHESS holding statement.

The CHESS holding statements, which are similar in style to bank account statements, will set out the number of Shares allotted to each Shareholder pursuant to this Prospectus. The CHESS holding statement will also advise holders of their holder identification number and explain for future reference the sale and purchase procedures under CHESS. Further statements will be provided to holders which reflect any changes in their shareholding in the Company during a particular month.

8.18 International offer restrictions

No action has been taken to register or qualify the Shares or the Offer, or otherwise to permit a public offering of the Shares, in any jurisdiction outside Australia.

This Prospectus does not constitute an offer or invitation in any jurisdiction where, or to any person to whom, such an offer or invitation would be unlawful.

The distribution of this Prospectus (including an electronic copy) in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Hong Kong

The contents of this Prospectus have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Prospectus, you should obtain independent professional advice.

The Shares have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than:

- (a) to “professional investors” as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (**SFO**) and any rules made under the SFO; or
- (b) in other circumstances which do not result in the document being a prospectus as defined in the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (**CO**) or which do not constitute an offer to the public within the meaning of CO.

This Prospectus is only distributed in Hong Kong to professional investors as defined in the SFO and any rules made under the SFO. This Prospectus has not been, and will not be, registered as a prospectus under the CO.

Further, no person shall issue or have in its possession for the purpose of the issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO. This Prospectus and the information contained in it may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

New Zealand

This Prospectus has not been registered with, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (NZ). The Shares are not being offered or sold to the public in New Zealand, or allotted with a view to being offered for sale to the public in New Zealand, and no person other than the following in New Zealand may accept a placement of Shares:

- (a) persons whose principal business is the investment of money or who, in the course of and for the purposes of their business, habitually invest money; or
- (b) persons who are each required to:
 - (i) pay a minimum subscription price of at least NZ\$500,000 for Shares under the Offer before allotment; or

- (ii) have previously paid a minimum subscription price of at least NZ\$500,000 prior to the date of the Prospectus for Shares (Initial Shares) in a single transaction before the allotment of the Initial Shares provided that, the Offer made pursuant to this Prospectus is made by the issuer of the Initial Shares, and such allotment was not more than 18 months prior to the date of the Prospectus.

Singapore

This Prospectus and any other material relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other documents or materials in connection with the Offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than:

- (a) to an institutional investor under section 274 of the Securities and Futures Act (Chapter 289) of Singapore (SFA);
- (b) to a relevant person pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and, in each case, in accordance with the conditions specified in section 275 of the SFA; or
- (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

By accepting this Prospectus, you:

- (a) represent and warrant that you are:
 - (i) an “institutional investor” (as defined in section 4A(1)(c) of the SFA); or
 - (ii) a “relevant person” (as defined in section 275(2) of the SFA) or a person to whom an offer is being made, as referred to in section 275(1A) of the SFA; and
- (b) agree to be bound by the conditions, disclaimers, limitations and restrictions contained in this Prospectus and the SFA in relation to the Offer, holding and subsequent transfer of Shares.

If you are not an investor falling within any of the categories set out above, please return this Prospectus immediately. You may not forward or circulate this Prospectus to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly. If in doubt, you should consult your legal or professional adviser.

United States of America

The Shares have not been, and will not be, registered under the *US Securities Act of 1933* and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons except in accordance with an exemption from, or in a transaction not subject to, the registration requirements of the *US Securities Act of 1933* and any other applicable securities laws.

Each Applicant will be taken to have represented, warranted and agreed as follows:

- it understands that the Shares have not been, and will not be, registered under the *US Securities Act of 1933* or the securities law of any state of the United States and may not be offered, sold or resold in the United States, or to or for the account or benefit of US Persons, except in a transaction exempt from, or not subject to, registration under the *US Securities Act of 1933* and any other applicable securities laws;
- it is not in the United States or a US Person, and is not acting for the account or benefit of a US Person;
- it has not and will not send this Prospectus or any other material relating to the Offer to any person in the United States or to any person that is, or is acting for the account or benefit of, a US Person; and
- it will not offer or sell the Shares in the United States or to, or for the account or benefit of, any US Person or in any other jurisdiction outside Australia except in transactions exempt from, or not subject to, registration under the *US Securities Act of 1933* and in compliance with all applicable laws in the jurisdiction in which Shares are offered and sold.

8.19 Withdrawal of the Offer

The Company reserves the right not to proceed with the Offer at any time before the allotment of Shares to successful Applicants. If the Offer does not proceed, the Company will return all Application Money within 21 days of giving notice of its withdrawal. Any interest earned on Application Money prior to withdrawal will belong to ACN.

8.20 Electronic Prospectus

This Prospectus (without an application form) may be viewed online at www.australiancareersnetwork.com.au. However, it cannot be used to apply for Shares.

Selected Applicants who are given access to an electronic version of this Prospectus (and Application Form) must be resident in Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person eligible to apply for Shares who requests a copy by contacting the Share Registry.

Details of the Offer

8.21 Taxation

The tax treatment and consequences of the Offer will vary depending on the particular circumstances of the Applicant.

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, ACN, its officers and each of their respective advisers accepts no liability or responsibility in relation to any taxation consequences connected to the Offer.

8.22 Privacy

Tax and company law requires some information to be collected in connection with your Application. If you do not provide the information requested, your Application may not be able to be processed efficiently or at all.

If you apply for Shares, you will need to provide personal information to the Company and the Share Registry. Your information may be disclosed to:

- the Company in order to assess your Application;
- the Share Registry for ongoing administration of the Share register; and
- the printers and the mailing house for the purposes of preparation and distribution of statements and for handling of mail.

The Company and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers as authorised under the *Privacy Act 1988 (Cth)*.

If you become a Shareholder, your information may also be used or disclosed from time to time to inform you about the Company's products or services that the Company thinks may be of interest to you. If you do not want your personal information to be used for this purpose, you should contact:

Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235

Telephone: 1300 554 474

Fax: (02) 9287 0303

Email: registrars@linkmarketservices.com.au

The information may also be disclosed to members of the Company and to their agents and service providers on the basis that they deal with such information in accordance with the Company's Privacy Policy.

Under the *Privacy Act 1988 (Cth)*, you may request access to your personal information held by (or on behalf of) the Company

or the Share Registry. You can request access to your personal information by telephoning or writing to the Share Registry at the address set out above.

8.23 Enquiries

If you require assistance to complete the Application Form or require additional copies of this Prospectus, contact your broker or the Share Registry.

If you require advice as to whether to invest in the Company, you should seek professional advice from your stockbroker, accountant or other professional financial adviser.

8.24 Withdrawal rights

The Company will in respect of each subscriber to the Prospectus who has lodged an Application prior to the date of this Prospectus and in accordance with section 724(2)(b)(ii) of the Corporations Act, either:

- repay the money received by the Company from an applicant; or
- give an applicant:
 - a copy of this Prospectus; and
 - one month from the date of this Prospectus, to withdraw their Application and be repaid their Application Money.

While the Company has received valid Applications, no Applications have been processed and no Shares have been issued pursuant to the Prospectus.

An applicant who wishes to withdraw their Application and obtain a refund must submit a written request to the Company at:

Link Market Services Limited

Locked Bag A14

Sydney South NSW 1235

so that it is received within one month of the date of this Prospectus (i.e. by close of business on 26 December 2014).

The details for the payment of the refund cheque and address to which it should be sent as set out in the written request must correspond to the details contained in the Application Form lodged by that applicant.

Material contracts



Material Contracts

9.1 Funding Contracts

The following companies within Australian Careers Network Group are parties to State Government funding contracts pursuant to which the relevant State Government (**Department**) provides funding to the relevant company for the purposes of delivering VET opportunities to the community:

- (a) Consider This Training (Victoria);
 - (b) COVE (Victoria);
 - (c) Australian Management Academy (New South Wales, Queensland and Victoria);
 - (d) SMART (Queensland and Victoria); and
 - (e) Heron Assess (Victoria),
- (each a **Recipient**).

Community Initiatives Group has entered into the Share Purchase Agreement pursuant to which it has agreed to acquire Training Experts Australia and Training Synergies. The acquisition of Training Experts Australia and Training Synergies is due to complete post the lodgement of the Prospectus. A summary of the terms of the Share Purchase Agreement is set out in Section 9.2. Both Training Experts Australia and Training Synergies are parties to State Government funding contracts with the Governments of New South Wales and Queensland.

The key terms of the funding contracts are as follows:

- (f) the Department will provide funding to the Recipient in respect of each training or vocational course undertaken by an eligible person for training courses which commence during the period of the contract;
- (g) the Recipient is required to:
 - (i) remain a RTO for the duration of the contract;
 - (ii) deliver nationally-recognised training as part of its teaching offering;
 - (iii) comply with all reporting requirements requested by the Department; and
 - (iv) notify the Department immediately in writing of any significant changes to its ownership or operations;
- (h) the funding by the Department is conditional on the Department's satisfaction that:
 - (i) the training services are provided to the individual students identified to the Department in its periodic reporting (Eligible Students); and
 - (ii) funds are provided to the RTO for the purpose of providing training to the Eligible Students;
- (i) the Recipient is obliged to undertake annual audits of its compliance with the contract, and to provide reporting to the Department in accordance with reporting requirements identified by the Department from time to time;
- (j) the Department is entitled to:

- (i) vary any or all parts of the funds paid to the Recipient in respect of any or all Eligible Students; and
- (ii) audit the Recipient's compliance with its obligations under the contract on reasonable notice; and
- (k) the Department may terminate the contract by notice in writing:
 - (i) without cause by providing written notice; or
 - (ii) immediately in certain circumstances, including but not limited to, if the Recipient:
 - (A) is the subject of an insolvency event (including a change in the direct or indirect beneficial ownership or control of the Recipient without the Department's prior written approval);
 - (B) has its registration as a RTO suspended, withdrawn or cancelled;
 - (C) the Department reasonably believes that the Recipient has made any false or misleading representations to the Department in connection with the contract; or
 - (D) commits a material breach of the contract, or fails to remedy a breach within 10 Business Days of receipt of a notice requiring remedy.

9.2 Share Purchase Agreement in respect of Training Experts Australia and Training Synergies

Community Initiatives Group entered into a Share Purchase Agreement with Gary Redman, Gillian Redman and Oberlin Consulting Pty Ltd ACN 120 624 384 as trustee for the Oberlin Discretionary Trust (**Sellers**) pursuant to which Community Initiatives Group agreed to acquire the entire issued capital of Training Experts Australia and Training Synergies from the Sellers.

The key terms of the Share Purchase Agreement are as follows:

- (a) the purchase price is \$4 million, as adjusted for in the Share Purchase Agreement, plus two \$0.25 million earn outs for Gary Redman over a two year term post completion;
- (b) completion of the Share Purchase Agreement will occur after completion of the Offer under this Prospectus;
- (c) completion is subject to and conditional upon satisfaction of a number of conditions precedent of which all except the following remain outstanding at the date of lodgement of this Prospectus – Community Initiatives Group arranging for sufficient financial accommodation to complete the acquisition of Training Experts Australia and Training Synergies or the completion of the Offer under this Prospectus; and
- (d) the governing law of the contract is the law of New South Wales.

9.3 Key employment contracts

(a) CEO employment contract

ACN has entered into an executive services agreement with the Managing Director and CEO, Ivan Robert Brown. Under the executive services agreement, he is entitled to remuneration and other terms as set out below.

Key Terms	Chief Executive Officer, Ivan Robert Brown
Initial term	Four years. The initial term may be extended by agreement between the parties.
Total fixed salary per annum (excluding superannuation)	\$300,000
Other benefits	At the discretion of the employer, the executive will be entitled to participate in the Performance Rights Plan.
Bonus/short term incentive	Nil
Termination by executive	The executive may terminate his employment by providing the employer with 12 months' written notice.
Termination by employer	Other than on grounds that warrant instant dismissal, the employer may terminate the executive's employment by providing the executive with 12 months' written notice.
Restrictions	<p>The executive will not without the prior written consent of the employer:</p> <ul style="list-style-type: none"> for a period of up to three years from the date of ceasing employment, perform any services for or canvas the custom of a person or business who is at the date of termination or was within one year before that date, a client of the employer; or solicit or endeavour to solicit any director, manager, officer, executive or contractor of the employer to terminate their employment or association with the employer or assist in or procure the employment by any business of any such person.

(b) CFO employment contract

ACN has entered into an executive services agreement with the Chief Financial Officer and Company Secretary, David Green. Under the executive services agreement, he is entitled to remuneration and other terms as set out below.

Under the executive services agreement, he is entitled to remuneration and other terms as set out below.

Key Terms	Chief Financial Officer and Company Secretary, David Green
Initial term	Three years. The initial term may be extended by agreement between the parties.
Total fixed salary per annum (excluding superannuation)	\$275,000
Other benefits	At the discretion of the employer, the executive will be entitled to participate in the Performance Rights Plan.
Bonus/short term incentive	Nil
Termination by executive	The executive may terminate his employment by providing the employer with three months' written notice. If the term is extended by agreement between the parties, the executive may terminate his employment during the extended term by providing six months' written notice.
Termination by employer	Other than on grounds that warrant instant dismissal, the employer may terminate the executive's employment by providing the executive with three months' written notice. If the term is extended by agreement between the parties, the employer may terminate the executive's employment during the extended term by providing six months' written notice.

Material Contracts

Key Terms	Chief Financial Officer and Company Secretary, David Green
Restrictions	<p>The executive will not without the prior written consent of the employer:</p> <ul style="list-style-type: none"> for a period of up to 12 months from the date of ceasing employment, perform any services for or canvas the custom of a person or business who is at the date of termination or was within one year before that date, a client of the employer; or solicit or endeavour to solicit any director, manager, officer, executive or contractor of the employer to terminate their employment or association with the employer or assist in or procure the employment by any business of any such person.

9.4 Restraint Deed

On 20 October 2014, Prakash Charan entered into a Deed Poll Undertaking – Restraint with the Company whereby Prakash Charan provided certain undertakings with effect from the date of sale and purchase of shares in the Company pursuant to the sell-down under the Prospectus (**Restraint Deed**).

Under the Restraint Deed:

- (a) Prakash Charan undertakes not to, and undertakes to procure that each of his associated persons does not, do any of the following:
 - (i) be involved in any way (including but not limited to as director, employee, executive, adviser, partner or shareholder (other than in respect of a shareholding of not more than 5% in a company listed on any stock exchange) in a business that competes with the business of Australian Careers Network Group;
 - (ii) canvass, solicit, induce or encourage any person who is or was an employee of the Company or any other Australian Careers Network Group company to leave the Company or any other Australian Careers Network Group company;
 - (iii) canvass, solicit or accept any approach from any person who is or was a client or customer of the Company or any other Australian Careers Network Group company, who Prakash Charan has or had dealt with, with a view to obtaining the custom of that person in a business that competes with the business of Australian Careers Network;
 - (iv) interfere in any way with the relationship between the Company or any other Australian Careers Network

Group company and its clients, customers, employees or suppliers; or

- (v) disclose or use to their advantage or to the disadvantage of the Company or any other Australian Careers Network Group company, itself or by any of its associated persons any confidential information relating to the Company or the business of Australian Careers Network;
- (b) The geographic area of the restraint is:
 - (i) Australia, or if this area is found by a court to be too wide;
 - (ii) Queensland, New South Wales and Victoria, or if this area is found by a court to be too wide;
 - (iii) New South Wales and Victoria, or if this area is found by a court to be too wide,
 - (iv) Victoria.
- (c) The undertakings begin on the date the sale and purchase of shares in the Company pursuant to the sell-down under the Prospectus and ends on:
 - (i) 2 years from the date of sale and purchase of shares in the Company pursuant to the sell-down under the Prospectus, or if this time is found by a court to be too long;
 - (ii) 12 months from the date of sale and purchase of shares in the Company pursuant to the sell-down under the Prospectus, or if this time is found by a court to be too long;
 - (iii) 6 months from the date of sale and purchase of shares in the Company pursuant to the sell-down under the Prospectus, or if this time is found by a court to be too long;
 - (iv) 3 months.

The Restraint Deed is governed by the laws of Victoria.

9.5 Escrow Agreements

In order to demonstrate their ongoing commitment to the Company, IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and Prakash Charan (**Escrowed Parties**) have entered into an escrow agreement with the Company (**Escrow Agreements**) pursuant to which their entire shareholdings in the Company not the subject of the sell-down under this Prospectus (**Escrowed Shares**) will be escrowed from trading:

- (a) in respect of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust:
 - (i) 17,944,445 Shares will be escrowed for a period ending on the earlier of 24 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and

- (ii) 5,323,529 Shares will be escrowed for a period ending on the earlier of 12 months from the date on which the Company's Shares are quoted on the ASX and the cessation of Ivan Robert Brown's employment as Managing Director of the Company; and
- (b) in respect of Prakash Charan, for a period of 24 months from the date on which the Company's Shares are quoted on the ASX, (**Escrow Period**).

The Escrowed Parties may dispose of the Escrowed Shares at any time during the Escrow Period if:

- (a) any person other than a person who has entered into an escrow agreement with the Company on similar terms to Escrowed Parties makes a takeover bid in respect of the Company and acceptances of that bid are received from the holders of 50% or more of the Shares in the Company excluding Shares subject to escrow provisions; or
- (b) the Company undertakes a merger by way of scheme of arrangement under Part 5.1 of the Corporations Act, provided that if:
- (c) the takeover bid does not become unconditional; or
- (d) the merger the subject of the scheme of arrangement does not take effect,

the Escrowed Shares held by the Escrowed Parties will be returned to escrow for the remainder of the escrow period.

The Company applied to ASIC for case specific relief under section Q of ASIC Regulatory Guide 159. The purpose of the application was to obtain relief modifying the provisions of the Corporations Act so that the Company would not hold a relevant interest or voting power in the Escrowed Shares solely by reason of the entry by them into the Escrow Agreements. This relief was sought to avoid the Escrow Agreements giving rise to a breach of the takeover provisions in Chapter 6 of the Corporations Act.

The relief was granted by ASIC on 20 October 2014. The relief enables the Company to disregard the restrictions contained in the Escrow Agreements when determining the voting power of the Escrowed Parties in the Company.

The interests of the Company extend only to the right to restrict the sale of the Escrowed Shares. The Company will have no right to control, or influence the control of, the right to vote attached to any of the Escrowed Shares.

9.6 Underwriting Agreement

The Offer is fully underwritten by the Underwriter pursuant to an amended and restated underwriting agreement dated on or about the date of this Prospectus between the Company and the Underwriter which amends and restates the original underwriting agreement between the Company and the Underwriter dated 20 October 2014.

The following is a summary of the key terms of the Underwriting Agreement.

(a) Fees

Pursuant to the Underwriting Agreement, the Company has agreed to pay the Underwriter:

- (i) a monthly retainer fee of \$30,000 (excluding GST) for the duration of the agreement; and
- (ii) a management and underwriting fee calculated to be 6% of all capital raised up to \$50,000,000 and 5% on all amounts raised above \$50,000,000 exclusive of any applicable GST.

In addition, the Company must reimburse the Underwriter all reasonable costs and expenses incurred by the Underwriter in connection with the Offer, including legal expenses and disbursements, up to \$50,000 (excluding GST).

(b) Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by the Company to the Underwriter.

The representations and warranties given by the Company relate to matters such as the Company's entitlement to issue the Shares, the terms of issue of the Shares, nature of the Shares, compliance with applicable laws, ASIC policy and the ASX Listing Rules, content of the Prospectus, disclosures made by the Company, accuracy of information, financial information, anti-money laundering and anti-bribery, no insolvency event having occurred, the Company not being in breach of any provision of the Corporations Act or the ASX Listing Rules in relation to related party benefits, all material consents and approvals having been obtained, no new share capital, powers and authorisations, material contracts and litigation.

The undertakings given by the Company include (without limitation) that it will not, without the prior written consent of the Underwriter, issue any further securities until 60 days after the Shares have been allotted under the Offer, alter the capital structure of the Company, withdraw the Offer after lodgement of the Prospectus with ASIC and the ASX, vary any term of its constitution or make any material public statements concerning the Offer.

The warranties given by the Underwriter relate to matters such as due incorporation, capacity and power to enter into the Underwriting Agreement, solvency and authorisations.

(c) Indemnity

The Company has undertaken to indemnify the Underwriter and its officers and employees against all claims and liabilities incurred by the Underwriter in connection with the Offer and the Underwriting Agreement. The indemnity is subject to certain exceptions, including fraud, negligence, wilful misconduct and criminal penalties or fines.

Material Contracts

(d) Termination events

If any one or more of the events listed below happens after 17 October 2014 other than in accordance with the Underwriting Agreement or with the prior written consent of the Underwriter, the Underwriter may at any time by written notice to the Company and without cost or liability to the Underwriter terminate the Underwriting Agreement with immediate effect:

- (i) **misleading statement in the Prospectus:** a material statement in the Prospectus is found to be untrue, misleading or deceptive or a material matter is omitted from the Prospectus;
- (ii) **withdrawal of consent:** any person (other than the Underwriter) whose consent to the issue of the Prospectus is required by the Corporations Act or is named in the Prospectus withdraws their consent;
- (iii) **forecast:** any forecast or forward looking statement in the Prospectus becomes incapable of being met;
- (iv) **material agreements:** any of the material contracts referred to in the Prospectus is rendered void or voidable or breached in a material respect or is not duly completed and performed in accordance with its terms or is terminated or amended;
- (v) **ASIC stop order, hearing or investigation:** ASIC issues a stop order, gives notice of its intention to hold a hearing in relation to the Prospectus or commences any investigation, examination or hearing or gathers information in connection with the Prospectus or the Offer;
- (vi) **proceedings – persons other than ASIC:** a person other than ASIC commences any enquiry, investigation or proceedings, or takes any regulatory action or seeks any remedy, in connection with the Company, the Offer or the Prospectus;
- (vii) **notices concerning the Prospectus:** any person gives a notice under the Corporations Act or withdraws a consent previously given in relation to the Prospectus;
- (viii) **lodgement of supplementary prospectus:** a supplementary or replacement prospectus is lodged without the prior written approval of the Underwriter;
- (ix) **listing approval:** ASX does not approve the admission of the Company to the Official List and Official Quotation of the Shares, or if granted, the approval is subsequently withdrawn, qualified or withheld;
- (x) **Certificate:** the Company does not provide an opening or closing Certificate as and when required by the Underwriting Agreement or a statement in any opening or closing certificate is untrue or incorrect;

- (xi) **change to Share terms and constituent documents:** the terms of the Shares or any other securities of the Company or the constitution of the Company are modified or repealed or the Company proposes any such modification or repeal;
- (xii) **changes in prospects of the Company:** any adverse change occurs in the condition, financial position or prospects of the Company or a Related Body Corporate;
- (xiii) **breach of constitution:** the Company or any of its subsidiaries breaches its constitution which materially and adversely affects the Company or the Offer;
- (xiv) **breach of law or regulation:** the Company or any of its subsidiaries or any officer of the Company contravenes any provision of the Corporations Act, the Listing Rules or any other legislation;
- (xv) **prescribed occurrence:** a prescribed occurrence under the Corporations Act occurs in relation to the Company or any of its subsidiaries;
- (xvi) **insolvency:** an insolvency event occurs in relation to the Company or any of its subsidiaries ;
- (xvii) **suspension, modification or amendment:** any licence, permit, authorisation or consent which is material is suspended, modified, withdrawn or amended in a manner unacceptable to the Underwriter;
- (xviii) **breach of the Underwriting Agreement:** the Company or any of its subsidiaries is in breach of any provision of the Underwriting Agreement that, in the Underwriter's reasonable opinion, is material;
- (xix) **timetable not met:** any event specified in the Offer timetable does not occur within five business days after the date specified for that event;
- (xx) **Offer and offer documents withdrawn:** at any time after the date of the Underwriting Agreement, the Company withdraws the Offer or the Prospectus;
- (xxi) **disclosures in due diligence report:** the due diligence report or verification material or any other information supplied by or on behalf of the Company to the Underwriter in relation to the Company is or becomes false or misleading or deceptive;
- (xxii) **Officers:** any officer of the Company or any of its subsidiaries is charged with or convicted of any criminal offence involving fraudulent or dishonest conduct or becomes a bankrupt or resigns or is removed, or steps are taken to achieve such an outcome;
- (xxiii) **fraud:** the Company is charged in relation to fraudulent, misleading or deceptive conduct whether or not in connection with the Offer;

- (xxiv) **unapproved alteration of capital:** the Company alters, or announces an intention to alter, its capital structure or its constitution without the prior consent of the Underwriter;
- (xxv) **unapproved or contravention of encumbrances:** the Company or any of its subsidiaries gives security in favour of any person who is not a security holder at the date of the Underwriting Agreement or contravenes an encumbrance or document which is binding on the Company or any of its subsidiaries or an asset of the Company or any of its subsidiaries;
- (xxvi) **false or misleading information given to the Underwriter:** any material information that was supplied at any time by or on behalf of the Company to the Underwriter is or becomes materially misleading or deceptive or contains a material omission;
- (xxvii) **Company offers Shareholders refund:** any circumstance arises after the Prospectus is issued that results in the Company doing any of the following: repaying, or offering to repay, any monies the Company receives from a majority of Applicants; or offering them an opportunity to withdraw their Application Forms;
- (xxviii) **commencement of hostilities:** an outbreak of hostilities not presently existing or an escalation of hostilities occurs (whether war has been declared or not) or a terrorist act is committed involving any one or more of Australia, New Zealand, the United Kingdom, the United States of America, the People's Republic of China (including the Special Administrative Region of Hong Kong) Iran, Turkey, Syria, Iraq, the countries of the former Union of Soviet Socialist Republics or Japan which would materially and adversely affect the Company or the Offer;
- (xxix) **changes of law:** a government agency adopts or announces any change in any applicable laws or governmental policies which would materially and adversely affect the Company or the Offer;
- (xxx) **quotation on the ASX:** three months or such other period agreed by the Underwriter elapses after the date the Underwriting Agreement without the ASX granting quotation of the Shares on the securities market operated by the ASX;
- (xxxi) **grant by the ASX:** any grant by the ASX is withdrawn or is made subject to any conditions other than the ASX's standard conditions;
- (xxxii) **statement of ASX:** the ASX makes a statement to any person that Official Quotation of the Shares will not be granted;
- (xxxiii) **disruption in financial markets:** any of the following occurs:
 - (xxxiv) a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant central banking authority in those countries, or there is a material disruption in commercial banking or security settlement or clearance services in any of those countries;
 - (xxxv) any adverse change in the political or economic conditions or financial markets in Australia, the United States of America or the United Kingdom, or in foreign exchange rates or any development involving a prospective change in the political or economic conditions or financial markets in any of those countries, or in foreign exchange rates; or
 - (xxxvi) trading in securities generally on ASX, the New York Stock Exchange, and/or the London Stock Exchange is suspended or limited in a material respect on two or more consecutive days;
 - (xxxvii) **significant change to management or board:** there is a significant change to the composition of the senior executives of the Company or of its board of directors without the approval of the Underwriter;
 - (xxxviii) **defective notice required but not issued:** the Underwriter reasonably forms the view that a defective notice under the Corporations Act is required and the Company fails to provide such notice to the ASX;
 - (xxxix) **judgment:** a judgment in an amount exceeding \$250,000 is obtained against the Company or any Related Body Corporate of the Company and is not appealed or satisfied within the time required;
- (xl) **requirement to repay Application Money:** any circumstance arises after the Prospectus is lodged a consequence of which is either that the Company is required to repay the money received from Applicants or to offer Applicants an opportunity to withdraw their Applications and receive a refund of their Application Money;
- (xli) **unauthorised public statements:** the Company issues a material public statement concerning the Offer which has not been approved by the Underwriter, other than in accordance with the Underwriting Agreement or as required by law; or
- (xlii) **movement in the All Ordinaries Index:** the All Ordinaries Index is at any time on any two consecutive Business Days prior to allotment of the Shares 15% or less of the level that Index attained at the close of trading on the Business Day before the date of signing the Underwriting Agreement.

Material Contracts

(e) Subunderwriters

The Underwriter may appoint subunderwriters on such terms and conditions as it determines in its absolute discretion at its own expense. The Company will not be responsible for any payment of any fees to subunderwriters.

(f) Post Prospectus fundraising

For a period of 24 months commencing on the date the Company is admitted to the Official List (**Post Prospectus Period**), the Underwriter will have the exclusive right to raise any equity capital required by the Company. The Company will pay to the Underwriter a fee calculated to be 5% of all equity capital raised up to \$50,000,000 and 4% of all equity capital raised above \$50,000,000 during the first 12 months of the Post Prospectus Period and thereafter, 5% of all equity capital raised up to \$50,000,000 and 4% of all equity capital raised above \$50,000,000 during the second 12 months of the Post Prospectus Period (excluding GST).

Additional Information



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Additional Information

10.1 Incorporation

The Company was incorporated in Victoria as a public company limited by shares on 17 March 2014.

10.2 Company tax status

The Company will be taxed in Australia as a public company.

10.3 Rights and liabilities attaching to Shares

The rights attaching to Shares are:

- set out in the Constitution; and
- in certain circumstances, regulated by the Corporations Act, Listing Rules, ASX Settlement Operating Rules and the general law.

A summary of the significant rights attaching to the Shares and a description of other material provisions of the Constitution is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of Shareholders. The summary assumes that ACN is admitted to the Official List of the ASX.

Voting at a general meeting: At a general meeting of ACN, every Shareholder present in person or by proxy, representative or attorney has one vote on a show of hands and, on a poll, one vote for each Share held.

Meetings of members: Each Shareholder is entitled to receive notice of, attend and vote at general meetings of ACN and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, Corporations Act and Listing Rules.

Dividends: The Board may from time to time resolve to pay dividends to Shareholders and fix the amount of the dividend, the time for determining entitlements to the dividend and the timing and method of payment.

Transfer of Shares: Subject to the Constitution, Shares may be transferred by a proper transfer effected in accordance with ASX Settlement Operating Rules, by a written instrument of transfer which complies with the Constitution or by any other method permitted by the Corporations Act, Listing Rules or ASX Settlement Operating Rules.

The Board may refuse to register a transfer of Shares where the transfer is not in registrable form, ACN has a lien over any of the Shares transferred, and where otherwise permitted to do so under the Corporations Act, Listing Rules or ASX Settlement Operating Rules. The Board must refuse to register a transfer of Shares when required by the Corporations Act, Listing Rules or ASX Settlement Operating Rules.

Issue of further Shares: Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules and any rights and restrictions attached to a class of shares, ACN may issue, or grant

options in respect of further Shares on such terms and conditions as the Directors resolve.

Winding up: If ACN is wound up, then subject to any rights or restrictions attached to a class of shares, any surplus must be divided amongst ACN's members in proportion to the number of shares held by them. The amount unpaid on shares held by a member is to be deducted from the amount that would otherwise be distributed to that member.

Unmarketable parcels: Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, ACN may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares.

Share buy backs: Subject to the Corporations Act, Listing Rules and ASX Settlement Operating Rules, ACN may buy back Shares in itself on terms and at times determined by the Board.

Variation of class rights: At present, ACN's only class of shares on issue is ordinary Shares. Subject to the Corporations Act and the terms of issue of a class of shares, the rights attaching to any class of shares may be varied or cancelled:

- with the consent in writing of the holders of 75% of the issued shares included in that class; or
- by a special resolution passed at a separate meeting of the holders of those shares.

Directors – appointment and removal: Under the Constitution, the minimum number of Directors that may comprise the Board is three. Directors are elected at annual general meetings of ACN. Retirement will occur on a rotational basis so that no Director (excluding any managing director) holds office without re election beyond the third annual general meeting following the meeting at which the Director was last elected or re-elected.

The Directors may also appoint a Director to fill a casual vacancy on the Board up to the minimum number of Directors, until the next annual general meeting of ACN.

Directors – voting: Questions arising at a meeting of the Board will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of an equality of votes on a resolution where the number of Directors voting is more than two, the chairperson of the meeting does not have a casting vote and the matter is decided in the negative.

Directors – remuneration: The Constitution provides that non executive Directors are entitled to such remuneration as determined by the Directors but which must not exceed in aggregate the maximum amount determined by Shareholders at a general meeting.

Indemnities: ACN, to the extent permitted by law, indemnifies each Director and officer against any liability incurred by that person as an officer of ACN or its Related Bodies Corporate. ACN, to the extent permitted by law, may pay, or agree to pay, a premium for a contract insuring a Director against any liability incurred by that person as an officer of ACN or its Related Bodies Corporate and legal costs incurred by that person in defending an action for a liability of that person.

ACN, to the extent permitted by law, may enter into an agreement or deed with a Director or a person who is, or has been, an officer of ACN or its Related Bodies Corporate, under which ACN must do all of the following:

- keep books of ACN and allow either or both that person and that person's advisers access to those books on the terms agreed;
- indemnify that person against any liability incurred by that person as an officer of ACN or its Related Bodies Corporate and legal costs incurred by that person in defending an action for a liability of that person;
- make a payment (whether by way of advance, loan or otherwise) to that person in respect of legal costs incurred by that person in defending an action for a liability of that person; and
- keep that person insured in respect of any act or omission by that person while a Director or an officer of ACN or its Related Bodies Corporate, on the terms agreed (including as to payment of all or part of the premium for the contract for insurance).

Variation of the Constitution: The Constitution can only be amended by special resolution passed by at least 75% of Shareholders present (in person or by proxy) and entitled to vote on the resolution at a general meeting of ACN. ACN must give at least 28 days' written notice of a general meeting of ACN members.

10.4 Performance Rights Plan

The Company has adopted the Performance Rights Plan (**Plan**) to:

- (a) attract, motivate and retain Eligible Participants;
- (b) provide an incentive to Participants to drive improvement and the Company's performance;
- (c) provide market competitive reward mechanisms;
- (d) provide Participants the opportunity to acquire an ownership interest in the Company; and
- (e) further align the financial interests of Participants with those of Shareholders.

The following is a summary of the key terms of the Plan.

- (a) The Performance Rights will be granted at no cost to Participants, and no amount is payable on vesting of the Performance Rights.
- (b) Performance Rights will be granted under, and subject to, the rules of the Plan.
- (c) Performance Rights do not carry any dividend or voting rights prior to vesting.
- (d) Each Performance Right entitles Participants to one Share, subject to the satisfaction of the performance and vesting conditions determined by the Board in its discretion as described below. Shares allocated on vesting of Performance Rights will rank equally with all other Shares on issue.

- (e) Shares allocated on vesting of a Performance Right will be subject to restriction on sale or disposal during any relevant Restriction Period, determined by the Board.
- (f) The total number of Performance Rights to be granted to all Participants will not exceed 5% of the total issued Shares of the Company at the date of grant.
- (g) The size of each individual grant will be determined by the Board. Any future grant of Performance Rights to an Participant after listing will comply with the relevant ASX Listing Rules.
- (h) On vesting of the Performance Rights, new Shares may be issued or existing Shares acquired on-market by the Company. The Shares will be allocated and may be subject to a holding lock during any applicable Restriction Period.
- (i) The Board has determined that the Performance Rights to be granted to Participants will generally be subject to vesting conditions, including but not limited to:
 - (i) an employment service condition;
 - (ii) any performance condition specific to the Eligible Employee or financial performance of the Company; and
 - (iii) any other conditions as the Board may deem appropriate.
- (j) To satisfy the employment service condition, Participants must be employed by a member of Australian Careers Network Group on the date of grant and must remain employed by a member of the Australian Careers Network Group for a period of not less than 12 months after the date of the grant (or such later date as the Board determines).
- (k) If an Participant ceases employment as a result of retirement, redundancy, total or permanent disablement, death or any other circumstances as determined by the Board, then the Performance Rights will not lapse and will remain eligible to meet the Performance Conditions in the usual way.
- (l) The performance conditions may relate to the Eligible Employee's individual employment position and/or the Company's financial performance as determined in the absolute discretion of the Board.
- (m) The Performance Rights lapse if and to the extent the Performance Conditions are not met.
- (n) The following definitions apply in relation to this Section 1.1.

Term	Description
Eligible Participants	Any Eligible Employee or Director, that is determined by the Board to receive an Invitation under the Plan
Eligible Employee	Any employee of the Company or a group company deemed as such by the Board.

Additional Information

Term	Description
Invitation	The invitation provided to Eligible Participants to participate in the Plan subject to various conditions.
Participant	means the holder of a Performance Right issued in accordance with the terms of the Plan
Performance Conditions	Means the performance conditions set out in the Invitation where a Performance Right becomes eligible to vest if those performance conditions are satisfied. If a Performance Condition is not satisfied in the Performance Period in respect of a class of Performance Right, those Performance Rights will lapse.
Performance Period	means the period set out in the Invitation during which Performance Conditions must be satisfied
Performance Right	A performance right means the right, subject to certain conditions, to be allocated one ordinary Share in the Company, or such other number of Shares as determined by the relevant adjustment mechanism, for nil consideration or such other amount as determined by the Board.
Restriction Period	The period set out in the Invitation during which Shares allocated on vesting of Performance Rights cannot be sold or transferred.

10.5 Interests of advisers

Except as set out in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, and no other promoter of ACN:

- has or has had at any time during the last two years, any interest in the formation or promotion of ACN, or in property acquired by ACN in connection with its formation or promotion of ACN, or the Offer; nor
- has been paid, or agreed to be paid an amount, and nor has been given, or agreed to be given any benefit for services provided by the person in connection with the formation or promotion of the Company, or the Offer.

HWL Ebsworth has acted as Australian legal adviser to ACN in relation to the Offer, has advised ACN generally in relation to its admission to the Official List, has performed work in relation to due diligence enquiries and provided general advice to the Company. ACN has paid, or agreed to pay, approximately \$350,000 for the above services. HWL Ebsworth may become

entitled to further fees for future work based on its usual hourly charge out rates.

Grant Thornton Corporate Finance Pty Ltd has acted as Investigating Accountant and has prepared the Independent Limited Assurance Report included in Section 6. For details of the fees that ACN has paid, or agreed to pay Grant Thornton Corporate Finance for the services provided, refer to the Financial Services Guide included in Section 6. Further amounts may be paid to Grant Thornton Corporate Finance under time based charge out rates agreed with ACN.

Grant Thornton Australia Limited has provided taxation advice to ACN. ACN has paid, or agreed to pay, approximately \$150,000 for the above service.

Grant Thornton Audit Pty Ltd has provided audit services to Australian Careers Network Group in respect of the year ended 30 June 2014. ACN has paid, or agreed to pay, approximately \$150,000 for the above services.

Petra Capital Pty Limited has acted as Corporate Adviser and Underwriter to the Company in relation to the Offer. Details of the fee payable to Petra Capital Pty Ltd are set out in Section 9.6. Investors should note that two employees of Petra Capital Pty Ltd have subscribed for and hold in aggregate 388,889 Shares in the Company, pursuant to a pre-IPO round of funding.

10.6 Litigation

The Directors are not aware of any litigation of a material nature pending or threatened involving any member of the Australian Careers Network Group.

10.7 Australian Taxation Implications

The comments below provide a general summary of Australian tax issues for Australian tax resident individual Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account for Australian income tax purposes.

These comments do not apply to Shareholders that hold their Shares on revenue account or as trading stock, or to non Australian tax resident Shareholders. They also do not apply to Shareholders that are banks, insurance companies or taxpayers that carry on a business of trading in Shares. These Shareholders should seek their own professional advice.

Tax laws are complex. The comments below are based on the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, the *A New Tax System (Goods and Services Tax) Act 1999*, relevant stamp duty legislation, applicable case law and published Australian Taxation Office and State/Territory Revenue Authority rulings, determinations and statements of administrative practice at the date of this Prospectus. The tax consequences discussed below may alter if there is a change to the tax law after the date of this Prospectus. They do not take into account the tax law of countries other than Australia.

This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. ACN and its advisors disclaim all liability to any Shareholder or other party for all costs, loss, damage and liability that the Shareholder or other party may suffer or incur arising from, relating to or in any way connected with the contents of this summary or the provision of this summary to the Shareholder or other party or the reliance on this summary by the Shareholder or other party.

Shareholders should seek professional advice on the taxation implications of holding the Shares, taking into account their specific circumstances.

Dividends on a Share for Australian tax resident Shareholders:

Dividends distributed by ACN on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders should include in their assessable income the dividend actually received, together with any franking credit attached to that dividend.

Where the franking credit is included in the Shareholder's assessable income, the Shareholder will generally be entitled to a corresponding tax offset against tax payable by the Shareholder. To be eligible for the franking credit tax offset, a Shareholder must satisfy the 'holding period' rule and 'related payments' rule. This requires that a Shareholder hold the Shares 'at risk' for a continuous period of not less than 45 days (excluding the days of acquisition and disposal) and that the benefit of the dividend is not passed on within 45 days. Shareholders should seek professional advice to determine if these requirements, as they apply to them, have been satisfied. The holding period rules will not apply to a Shareholder who is an individual whose tax offset entitlement (for all franked distributions received in the income year) does not exceed AUD5,000.00.

Where a Shareholder is an individual or a complying superannuation entity, the Shareholder will generally be entitled to a refund of tax to the extent that the franking credit tax offset exceeds the Shareholder's income tax liability for the income year.

Where a Shareholder is a company, the Shareholder will generally be entitled to claim a carry forward loss calculated by reference to any excess of the franking credit attached to the Shareholder's dividends over the Shareholder's tax liability for the income year. Shareholders that are companies should seek specific advice regarding the tax consequences of dividends received in respect of the Shares they hold and the calculation of carry forward tax losses arising from excess tax offsets.

Franked dividends received by a corporate Shareholder will generally give rise to a franking credit in the Shareholder's franking account (subject to the Shareholder satisfying the rules outlined above for claiming a tax offset). Special rules apply to Shareholders that are trustees (other than trustees of complying superannuation entities) or partnerships. These Shareholders should seek specific advice regarding the tax consequences of dividends received in respect of Shares held.

Disposal of Shares by Australian tax resident Shareholders: The disposal of a Share by a Shareholder will be a capital gains tax (CGT) event where the Shareholder holds their Share on capital account. The Shareholder will make a capital gain where the capital proceeds received on the disposal of the Share exceeds the cost base of the Share, and will make a capital loss where the cost base of the Share exceeds the capital proceeds from the disposal of that Share. Capital losses may only be offset against capital gains made by the Shareholder in the same income year or future income years. Broadly, the cost base and reduced cost base of a Share will be equal to the amount paid to acquire the Share (including certain other costs, such as incidental costs of acquisition and disposal).

Generally, all capital gains and losses made by a Shareholder for an income year, plus any net capital losses carried forward from an earlier income year, will need to be aggregated to determine whether the Shareholder has made a net capital gain or net capital loss for the year. A net capital gain is included in a Shareholder's assessable income whereas a net capital loss is carried forward and may be available to be offset against capital gains of later years (subject to the satisfaction of the loss recoupment rules for companies).

If a Shareholder is an individual, complying superannuation entity or trust, and has held the Share for at least 12 months or more before disposal of the Share, the Shareholder will be entitled to a **CGT discount** for any capital gain made on the disposal of the Share. Where the CGT discount applies, any capital gains arising may be reduced by 50% in the case of individuals and trusts, and by one third in the case of complying superannuation entities. Shareholders that are companies are not entitled to a CGT discount.

Where the Shareholder is a trustee of a trust that has held the Share for at least 12 months or more before disposal, the CGT discount may flow through to the beneficiaries of that trust if those beneficiaries are not companies. Shareholders that are trustees should seek specific advice regarding the tax consequences of distributions to beneficiaries who may qualify for discounted capital gains after offering current year or prior year capital losses.

Tax file numbers: A Shareholder is not required to quote their tax file number (TFN) to ACN. However, if a TFN or exemption details are not provided, ACN may be required to deduct Australian tax from certain distributions (other than fully franked dividends) at the maximum marginal tax rate plus the Medicare levy. A Shareholder that holds Shares as part of an enterprise may quote their Australian Business Number instead of their TFN.

Goods and Services Tax: Investors should not be liable for Goods and Services Tax (GST) in respect of their acquisition or disposal of Shares. No GST should be payable by Shareholders on receiving dividends distributed by ACN.

Stamp Duty: No Australian stamp duty should be payable by Shareholders in respect of their acquisition or disposal of

Additional Information

their Shares. However, Shareholders should obtain their own independent advice depending on their individual circumstances.

10.8 Consents

Written consents to the issue of this Prospectus have been given and have not been withdrawn at the time of lodgement of the Prospectus with ASIC by the following parties:

- HWL Ebsworth Lawyers has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Australian legal advisor to the Company in relation to the Offer in the form and context in which it is named;
- Grant Thornton Corporate Finance Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Investigating Accountant to the Company and its written consent to the inclusion in this Prospectus of its Investigating Accountant's Report and to all statements referring to that report, in the form and context in which it is named;
- Grant Thornton Australia Limited has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the taxation adviser to the Company, in the form and context in which it is named;
- Grant Thornton Audit Pty Ltd has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the auditor to Australian Careers Network Group, in the form and context in which it is named;
- Petra Capital Pty Limited has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Corporate Adviser and Underwriter to the Company, in the form and context in which it is named; and
- Link Market Services Limited has given and has not withdrawn prior to the lodgement of this Prospectus with ASIC, its written consent to be named in this Prospectus as the Share Registry to the Company, in the form and context in which it is named.

No entity or person referred to above has made any statement that is included in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above.

Each of the entities and persons referred to above has not authorised or caused the issue of this Prospectus or the making of the Offer, makes no representation regarding, and to the extent permitted by law excludes any responsibility for, any statements in or omissions from any part of this Prospectus.

10.9 Governing law

This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in Victoria and each Applicant submits to the exclusive jurisdiction of the courts of Victoria.

10.10 ASX Escrow

The Company has sought and obtained confirmation from the ASX that based on the information available to the ASX, the ASX would be likely to form the view that the restrictions in clauses 1, 2, 3, 4, 7, 8 and 9 of Appendix 9B do not apply to the Company as it has a track record of profitability or revenue acceptable to the ASX, and accordingly the ASX would not impose escrow on Shares held by Existing Shareholders.

10.11 Electronic Prospectus

Under Class Order 00/44 ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus on the basis of a paper prospectus lodged with ASIC and the publication of notices referring to an electronic Prospectus, subject to compliance with certain provisions.

10.12 Authorisation of this Prospectus

Each Director has authorised the issue of this Prospectus and has consented to the lodgement of this Prospectus with ASIC.

Signed:



Ivan Robert Brown
Managing Director
Australian Careers Network Limited

Summary of Significant Accounting Policies



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Summary of Significant Accounting Policies

Summary of Significant Accounting Policies

Basis of preparation

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

Cost is based on the fair value of the consideration given in exchange for the assets.

The following is a summary of the material accounting policies adopted by Australian Careers Network Group in the preparation of the financial information. The accounting policies have been consistently applied, unless otherwise stated.

Accounting policies

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and result in the consolidation of its assets and liabilities.

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 will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

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 in 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 recognised as expenses as profit or loss when incurred.

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

Principles of consolidation

The pro forma consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Australian Careers Network, including the acquired companies.

Subsidiaries are all those entities (including special purpose entities) over which the Australian Careers Network has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights

that are currently exercisable or convertible are considered when assessing whether Australian Careers Network controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Australian Careers Network. They are de consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by Australian Careers Network.

Australian Careers Network applies a policy of treating transactions that do not result in a loss of control as transactions with equity owners to the Australian Careers Network Group. Disposals of non-controlling interest result in gains and losses for the Australian Careers Network Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Australian Careers Network Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Australian Careers Network Group.

Income tax

The income tax expense for the year comprises current income tax expense and deferred tax expense. Current and deferred income tax expense (income) is charged or credited directly to other comprehensive income instead of the profit or loss when the tax relates to items that are credited or charged directly to other comprehensive income.

Current tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current tax assets and liabilities are offset where a legally enforceable right of set off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur.

Deferred tax

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts

have been fully expensed but future tax deductions are available. 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 assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Deferred tax assets and liabilities are offset where a legally enforceable right of set off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Australia Careers Network Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation.

Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The group notified the Australian Taxation Office that it has formed an income tax consolidation group to apply from 1 October 2014. The income tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income.

Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution, to the head entity.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount. Depreciation is charged so as to write off the costs of assets, over their estimated useful lives, using the straight line method, on the following basis:

Class of fixed asset	Depreciation Rate
Computers	20% to 30% straight line method
Office Equipment	25% to 33% straight line method
Furniture	10% to 50% straight line method

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amounts of an asset and is recognised in the income statement.

Intangible assets

Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Australian Careers Network Group cash generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of equity include the carrying amount of goodwill related to the entity sold.

Changes in the ownership interest in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill

Training materials

Training materials are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis to allocate the cost of the asset over its useful life.

Other intangibles assets – funding contracts

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful lives in are as follows:

- Training materials: 2 years
- Funding Contracts: term of the contract

Summary of Significant Accounting Policies

Functional and presentation currency

The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates. The financial information is presented in Australian dollars which is the Company's functional and presentation currency.

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Provisions

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

Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

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 three months or less, and bank overdrafts.

Work in progress

Work in progress represents supply of services which have not been invoiced to clients with reference to the stage of completion of the services at balance date.

Revenue

Service revenue is revenue relating to the provision of services which is determined with reference to the stage of completion of the transaction at reporting date and where the outcome

of the work can be reliably estimated. Stage of completion is determined with reference to the services performed to date.

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

Other revenue is recognised when the right to receive the income has been established. All revenue is stated net of the amount of goods and services tax.

Financial assets

Recognition and initial measurement

Financial assets are recognised when the Company 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 assets are initially measured at fair value plus transaction 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 assets are classified and measured as set out below.

Classification and subsequent measurement

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 values are included in income statement in the period in which they arise.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm length transactions, reference to similar instruments and option pricing models.

Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at Fair Value Through Profit or Loss ('FVTPL');
- Held-To-Maturity ('HTM') investments;
- Available-For-Sale ('AFS') financial assets.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Different criteria to determine impairment are applied for each category of financial assets, which are described below for representative assets of the company.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those

designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Company has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

All other AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income'.

Reversals of impairment losses for AFS debt securities are recognised in profit or loss if the reversal can be objectively related to an event occurring after the impairment loss was recognised. For AFS equity investments impairment reversals are not recognised in profit or loss and any subsequent increase in fair value is recognised in Other Comprehensive Income ('OCI').

Classification and subsequent measurement of financial liabilities

The Company's financial liabilities include convertible notes.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Summary of Significant Accounting Policies

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

Equity, reserves and dividend payments

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Financial liability reserve – contains the equity component of the compound financial liability

Retained earnings include all current and prior period retained profits.

Dividend distributions payable to equity shareholders are included in other liabilities when the dividends have been approved in a general meeting prior to the reporting date.

All transactions with owners of the parent are recorded separately within equity.

Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST 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.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash generating unit is the smallest identifiable asset group that generates cashflows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Share based payments

All goods and services received in exchange for the grant of any share based payment (including options) are measured at their fair values. Where service providers are rewarded using share based payments, the fair values of the services provided are determined indirectly by reference to the fair value of the equity interests granted. This value is appraised at the grant date and excludes the impact of non market vesting conditions (for example profitability and sales growth and performance conditions).

All share based payments are ultimately recognised as an expense in profit or loss with a corresponding credit to the share option reserve with the exception that the service provided is in relation to capital raising which are ordinarily allocated to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.



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Glossary

\$ or AUD	means Australian dollars.
ACN or Company	Australian Careers Network Limited ACN 168 592 434.
Acquisitions	means the acquisition of Community Training Initiatives, Consider This Training, Community Employment Initiatives, CLI Training and Community Initiatives Group by ACN.
All Ordinaries Index	means the All Ordinaries Index (for share prices) published by Standard & Poor's in respect of the financial market of the ASX.
Applicant	means a person applying for Shares under this Prospectus.
Application	means the lodgement of an Application Form.
Application Form	means the form of application for Shares attached to this Prospectus.
Application Money	means the Offer Price multiplied by the number of Shares applied for.
AQF	means Australian Qualification Framework.
ASIC	means the Australian Securities and Investment Commission.
ASQA	means Australian Skills Quality Authority.
ASTC	means ASX Settlement Corporation Pty Limited ACN 008 504 532.
ASX	means ASX Limited ACN 008 624 691 or the securities market operated by the ASX, as the case may be.
ASX Settlement Operating Rules	means the ASX Settlement Operating Rules issued by ASTC.
Australian Careers Network Group	means ACN and its subsidiaries, including CTI, Community Employment Initiatives, Community Initiatives Group, Consider This Training, CLI Training, SMART, Heron Assess, Haley College, COVE Training and Australian Management Academy.
Australian Management Academy	means the registered business name of Thoan Pty Limited ACN 009 983 993.
Board	means the board of Directors of the Company.
Business Day	means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or Public Holiday.
CAGR	means Compound Annual Growth Rate.
CEO	means the chief executive officer of the Company
CFO	means the chief financial officer of the Company
CHES	means the Clearing House Electronics Sub-register System.
CLI Training or CLI	means CLI Training Pty Ltd ACN 164 432 526.
Closing Date	means, in relation to the Offer, the last day on which valid Application Forms may be accepted, as set out in Section 8.1 of this Prospectus.
Community Employment Initiatives or CEI	means Community Employment Initiatives Pty Ltd ACN 164 411 107.
Community Initiatives Group or CIG	means The Community Initiatives Group Pty Ltd ACN 164 432 053.
Company or ACN	means Australian Careers Network Limited ACN 168 592 434.
Consider This Training or CTT	means Consider This Training Pty Ltd ACN 144 662 868.
Constitution	means the constitution of the Company.
Corporations Act	means the <i>Corporations Act 2001</i> (Cth).

COVE	means Centre of Vocational Education Pty Ltd ACN 106 434 011.
COVE Training	means COVE, Loka and ITC.
CRICOS	means Commonwealth Register of Institutions and Courses for Overseas Students.
Community Training Initiatives or CTI	means Community Training Initiatives Pty Ltd ACN 157 767 881.
Directors	means the directors of the Company and Director means any one of them.
EBITDA	means Earnings Before Interest Tax, Depreciation and Amortisation.
Escrow	means a voluntary arrangement for the escrow of Shares as described in Section 9.5.
Escrow Agreement	means each of the Escrow agreements entered into by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a company controlled by Ivan Robert Brown) and Prakash Charan with the Company pursuant to which their entire shareholdings in the Company (not the subject of the sell-down under this Prospectus) will be escrowed from trading.
Existing Shareholders	means the Shareholders of the Company at the date of this Prospectus.
Expiry Date	means the date on which this Prospectus expires.
Forecast and Historical Financial Statements	means the Forecast Financial Statements and Historical Financial Statements outlined in Section 5 of this Prospectus.
Financial Information	means Forecast and Historical Financial Statements.
FY	means financial year.
GST	means Goods and Services Tax.
Haley College	means Health Education and Recruitment Services Pty. Ltd ACN 093 414 272.
Heron Assess	means Pan Bird Pty Ltd ACN 080 249 369.
HESG	means Higher Education and Skills Group.
IPO	means initial public offering.
ITC	means International Training College Pty Ltd ACN 071 880 450.
Listing Rules	means the official listing rules of the ASX.
Loka	means Loka Enterprises Pty Ltd ACN 134 042 265.
NCVER	means the National Centre for Vocational Education and Research.
NPAT	means Net Profit After Tax.
Offer	means the invitation to participate in the issuance of Shares by ACN under the Offer.
Offer Period	means the period commencing on the Opening Date and ending on the Closing Date.
Offer Price	means \$1.70 per Share.
Official List	means the official list of entities that ASX has admitted and not removed.
Opening Date	means the date the Offer opens, being 26 November 2014 or such other date determined by the Board.
Options	means an option to subscribe for one unissued Share in ACN.
Post Prospectus Period	means the period of 12 months commencing on the date the Company is admitted to the Official List.
Prospectus or Replacement Prospectus	means this document which replaces the supplementary prospectus dated 12 November 2014, replacement prospectus dated 4 November 2014 and prospectus dated 20 October 2014 issued by the Company.
Related Body Corporate	has the same meaning as in section 9 of the Corporations Act.

Glossary

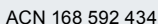
RTO	means a registered training organisation.
Share	means a fully paid ordinary share in ACN.
Share Purchase Agreement	means the Share Purchase Agreement between Community Initiatives Group and Gary Redman, Gillian Redman and Oberlin Consulting Pty Ltd ACN 120 624 384 as trustee for the Oberlin Discretionary Trust (Sellers) pursuant to which Community Initiatives Group agreed to acquire the entire issued capital of Training Experts Australia and Training Synergies from the Sellers.
Share Registry	means Link Market Services Limited ACN 083 214 537.
Shareholder	means a shareholder of ACN.
SMART or SCC	means Smart Connection Company Pty. Ltd ACN 086 185 248.
TAC	means the Western Australian Training Accreditation Council.
TAFE	means technical and further education.
Training Experts Australia or TEA	means Training Experts Australia Pty Ltd ACN 120 657 267.
Training Synergies or TS	means Training Synergies Pty Ltd ACN 144 743 117.
Underwriter	means Petra Capital Pty Limited ACN 110 952 782.
Underwriting Agreement	means the amended and restated underwriting agreement entered into between the Company and the Underwriter dated on or about the date of this Prospectus.
VET	means vocational education and training.
VRQA	means the Victorian Registration and Qualifications Authority.

Application Forms



13

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Adviser Code

Broker Firm Offer Application Form

This is an Application Form for Shares in Australian Careers Network Limited under the Broker Offer on the terms set out in the Prospectus dated 26 November 2014. You may apply for a minimum of 1,500 Shares and multiples of 1,500 Shares thereafter. This Application Form and your cheque or bank draft must be received by your Broker by the deadline set out in their offer to you.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares.

A , , at **A\$1.70** **B** A\$

C

D

[illegible][illegible]

Please note: that if you supply a CHES HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHES, your Application will be deemed to be made without the CHES HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

[illegible][illegible]

A\$

ACO BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Australian Careers Network Limited ("ACN") Shares. Further details about the Shares are contained in the Prospectus dated 26 November 2014 issued by Australian Careers Network Limited. The Prospectus will expire on 26 December 2015. While the Prospectus is current, Australian Careers Network Limited will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request.

The Australian Securities and Investment Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,500 Shares and multiples of 1,500 Shares thereafter. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Australian Careers Network Limited will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Australian Careers Network Limited and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Australian Careers Network Limited's issuer sponsored subregister.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

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- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
Make your cheque or bank draft payable to **"ACN Limited Application Account"** in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your Application being rejected.

LODGEMENT INSTRUCTIONS

This Application Form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 13 November 2014 at:

Mailing Address

Australian Careers Network Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery

Australian Careers Network Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the *Corporations Act 2001*. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

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Australian Careers Network Limited

ACN 168 592 434
7 Raleigh Street
Spotswood VIC 3015

Directors

Stephen Ray Williams
Ivan Robert Brown
Raymond Keith Griffiths
Craig Graeme Chapman
Bruce Mackenzie

Company Secretary

David Green

Solicitors to the Company

Australia

HWL Ebsworth
Level 14, Australia Square
264-278 George Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000

Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

Website

www.australiancareersnetwork.com.au

Corporate Advisor and Underwriter

Petra Capital Pty Limited
Level 17
14 Martin Place
Sydney NSW 2000

Auditor

Grant Thornton Audit Pty Ltd
The Rialto, Level 30
525 Collins Street
Melbourne VIC 3000

