

The following information is given to the Australian Securities Exchange (ASX) under ASX listing rule 4.2A.3

Previous corresponding period: Half-year ended 31 December 2013

<b>2.1</b>	Revenue from ordinary activities was up 59% to \$20.307 million from the previous corresponding period.
<b>2.2</b>	Profit from ordinary activities after tax attributable to members up 124% to \$2.597 million from the previous corresponding period.
<b>2.3</b>	Net profit for the period attributable to members was up 124% to \$2.597 million from the previous corresponding period.
<b>2.4</b>	No dividends are proposed and no dividends were paid during the period.
<b>2.5</b>	The record date for determining entitlements to the dividends: - Not applicable.
<b>2.6</b>	Brief explanation of any of the figures in 2.1 to 2.4 necessary to enable the figures to be understood: Refer to the Operations and Financial Results section contained within the attached Director's Report.

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	19 cents	4 cents

Refer to Notes 7 and 8 of the attached Interim Financial Statements for details of entities over which control has been gained. There were no entities over which control was lost during the period.

There were no dividends paid or payable during the period.

The Company does not have a dividend reinvestment plan.

The Company has no associate companies or joint venture entities.

The audit review report is attached as part of the half-year financial report.

**Australian Careers Network Limited**  
**ACN 168 592 434**

Interim financial statements  
for the half-year ended 31 December 2014

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## Directors' Report

The Directors of Australian Careers Network Limited ('ACN') present their Report together with the financial statements of the Consolidated Entity, being ACN ('the Company') and its Controlled Entities ('the Group') for the half-year ended 31 December 2014.

### Director details

The following persons were Directors of ACN during or since the end of the financial half-year:

Mr Ivan Robert Brown	appointed 17 March 2014
Mr Stephen Ray Williams	appointed 27 August 2014
Mr Craig Chapman	appointed 27 August 2014
Mr Ray Griffiths	appointed 27 August 2014
Mr Atkinson Prakash Charan	appointed 17 March 2014, resigned 30 September 2014
Ms Anastasia Mantzis	appointed 17 March 2014, resigned 30 September 2014
Mr Bruce Mackenzie	appointed 27 August 2014, resigned 19 January 2015

### Review of operations and financial results

As disclosed in the Australian Careers Network Limited ('ACN') prospectus the ACN group was formed on 30 September 2014, through a corporate restructure. The restructure involved five (5) related entities being rolled up under ACN in a script-for-script transaction, which included:

- Community Training Initiatives Pty Ltd ('CTI')
- Community Employment Initiatives Pty Ltd
- Consider This Training Pty Ltd
- CLI Training Pty Ltd
- Community Initiatives Group Pty Ltd

The restructure also involved the rolling-up of seven (7) entities, wholly owned subsidiaries of Community Initiatives Group Pty Ltd, having previously been acquired from other vendors, which included:

- Smart Connection Company Pty Ltd
- Pan Bird Pty Ltd ('Heron Assess')
- Thoan Pty Ltd ('Australian Management Academy')
- Centre of Vocational Education Pty Ltd
- LOKA Pty Ltd
- International Training College Pty Ltd
- Health Education and Recruitment Services Pty Ltd ('Haley College')

As set out in Note 2 of these interim financial statements, CTI has been identified as the acquirer for the purposes of the acquisition accounting and accordingly the statutory results in this report reflect the 6 months trading results of CTI and the combined results of all other Group entities from 1 October 2014. The 2013 comparatives represent the results of CTI only.

## Directors' Report

### Key financial information

	1H2015 \$'000	1H2014 \$'000	Change
Revenue	20,307	12,784	59% increase
EBITDA (before one offs)	7,570	7,631	
Less: one-offs costs	(1,747)	(5,921)	
Reported EBITDA	5,823	1,710	241% increase
Less: depreciation & Amortisation	(1,535)	(13)	
EBIT	4,288	1,697	153% increase
Less: interest expense	(23)	-	
Less: income tax expense	(1,668)	(538)	
Net profit after tax	<u>2,597</u>	<u>1,159</u>	124% increase

Earnings before Interest Tax, Depreciation and Amortisation ("EBITDA") before one-off costs (corporate restructuring, business acquisition roll-up and IPO related expenses) was \$7.6 million.

Revenue increased 59% to \$20.3 million compared to the prior corresponding period. Enrolments, the principle lead indicator for future revenue performance, grew 87% to 7,136 students, representing 49% of forecast full financial year 2015 enrolments. The historic 1H/2H enrolment split is 40%/60%. Total expected accrued revenue from these enrolments is approximately \$12.2 million, equating to 22% of forecast full financial year 2015 enrolments. Unaudited revenue accrued for January was \$6.9 million, 12.3% of full financial year 2015 prospectus forecasts, equating to an unaudited EBITDA for January of \$3.0 million.

The average revenue yield per student was \$2,845. As anticipated in the prospectus, revenue yield per student is expected to increase in the second half of financial year 2015 due to the contribution of dual qualification enrolments, VET FEE-HELP enrolments, and a higher weighting towards non-ticket revenue in COVE.

Adjusting for shorter course fee-for-service 'ticket' revenue from COVE in the first half, the average certificate and diploma revenue yield per student is \$3,537.

The EBITDA margin before one-off costs of 37.2% reflects significant up-front investment and growth in course delivery expenses, employee expenses and marketing expenses versus the prior corresponding period, as well as business regulatory and compliance infrastructure. The investment has been made ahead of an anticipated significant increase in the number of student enrolments expected. These structures are now in place and the Company expects an improvement in operating margins moving forward.

Amortisation and depreciation of \$1.5 million is tracking higher than prospectus forecast. The principal cause is the final acquisition accounting of intangibles with a higher proportion of the intangibles balance being attributed to identifiable intangibles, namely funding contracts and course materials, which are amortised to the profit and loss over their respective useful lives (of up to 5 years). During the preparation of the prospectus forecast a higher proportion of the balance had been ascribed to goodwill (an intangible that is not amortised but rather subject to annual impairment testing).

## Directors' Report

The operating result of the Group for the period ended 31 December 2014 was a profit of \$2.6 million compared to the prior corresponding period of \$1.2 million. Earnings per share have increased during the period to 4.14 cents (2013: 2.40 cents). No dividend has been declared as the Company only listed 15 December 2014.

Total Working Capital increased by \$9.5 million during the current reporting period primarily due to the increase in accrued revenue from higher student enrolments partially offset by the increase in trade and other creditors. This increase in working capital investment has resulted in a negative cash flow from operating activities of \$2.5 million compared to EBITDA before one-offs of \$7.6 million.

The Company accrues revenue for course delivery evenly over the duration of the course, however cash receipts only arise when the Company submits claims to the relevant funding body. The trigger points for such claims are completion of relevant modules/clusters which can often run contemporaneously. This delivery structure often results in submission for funding heavily concentrated towards and after the latter part of the course leading to financial and accounting timing differences.

The Company's Initial Public Offering ("IPO") was successfully completed in December 2014 raising \$15 million of new capital (\$13.8 million net of underwriting costs). This allowed ACN to fund the acquisition of Training Experts Australia Pty Ltd ("TEA") and Training Synergies Pty Ltd ("TS") at the time of the IPO for \$4 million and Phoenix Institute ("PI") in January 2015 for \$2.3 million. These acquisitions reflect the execution of the Company's stated strategy of risk mitigation and revenue diversification through interstate expansion (TEA and TS) together with its move into the higher education sector (PI).

Since the start of the financial year the Company has passed normal course audits from a range of statutory bodies including the HESG and there are no outstanding regulatory or compliance issues.

### Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 7 of this financial report and forms part of this Directors Report.

### Rounding of amounts

ACN is a type of Company referred to in ASIC Class Order 98/100 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable), or in certain cases, to the nearest dollar under the option permitted in the class order.

Signed in accordance with a resolution of the Directors.



Ivan Brown  
Director

Dated: 27<sup>th</sup> February 2015



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### **Auditor's Independence Declaration**

#### **To The Directors of Australian Careers Network Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Australian Careers Network Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

A stylized, handwritten signature of Adam Pitts in dark ink, appearing to read "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature of Adam Pitts in dark ink, appearing to read "Adam Pitts".

Adam Pitts  
Partner - Audit & Assurance

Melbourne, 27<sup>th</sup> February 2015

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

### For the half-year ended 31 December 2014

	Notes	31-Dec-2014 \$'000	31-Dec-2013 \$'000
Revenue		20,307	12,784
Direct training costs		(8,376)	(3,349)
Administration and other expenses		(4,153)	(1,350)
Marketing expense		(2,256)	(63)
Acquisition and due diligence costs relating to company restructure		(1,154)	-
Management fees		(80)	(6,325)
Finance costs		(23)	-
<b>Profit before tax</b>		<b>4,265</b>	<b>1,697</b>
Tax expense		(1,668)	(538)
<b>Profit for the period</b>		<b>2,597</b>	<b>1,159</b>
<b>Other comprehensive income:</b>			
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>2,597</b>	<b>1,159</b>
<b>Profit for the period attributable to:</b>			
Owners of the Parent		2,597	1,159
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the Parent		2,597	1,159

		31-Dec-2014 cents	31-Dec-2013 cents
<b>Earnings per share (refer note below)</b>	6		
Basic earnings per share		4.14	2.40
Diluted earnings per share		4.14	2.40

The accompanying notes form part of these financial statements.



## Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	31-Dec-2014 \$'000	30-Jun-2014 \$'000
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		8,288	2,809
Trade and other receivables		989	2,075
Accrued income		18,071	3,722
Other short-term financial assets		1,583	84
Current assets		28,931	8,690
<b>Non-current</b>			
Goodwill	9	21,295	-
Other intangible assets	10	13,563	382
Property, plant and equipment		3,756	208
Deferred tax assets		2,046	359
Non-current assets		40,660	949
<b>Total assets</b>		<b>69,591</b>	<b>9,639</b>
<b>Liabilities</b>			
<b>Current</b>			
Trade and other payables		7,640	6,259
Borrowings		226	-
Provisions		368	92
Current liabilities		8,234	6,351
<b>Non-current</b>			
Trade and other payables		810	-
Borrowings		690	-
Provisions		159	-
Deferred tax liabilities		9,142	1,117
Non-current liabilities		10,801	1,117
<b>Total liabilities</b>		<b>19,035</b>	<b>7,468</b>
<b>Net assets</b>		<b>50,556</b>	<b>2,171</b>
<b>Equity</b>			
Share capital	11	123,659	-
Share option reserve		751	-
Reserves		(78,622)	-
Retained earnings		4,768	2,171
<b>Total equity</b>		<b>50,556</b>	<b>2,171</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Changes in Equity

### For the half-year ended 31 December 2014

	Share Capital \$'000	Capital Reorganisation Reserve \$'000	Retained Earnings \$'000	Share Option Reserve \$'000	Total Equity \$'000
<b>Balance at 1 July 2014</b>	-	-	2,171	-	2,171
Fair value of options issued for capital raising	(751)	-	-	751	-
Shares issued as settlement for purchase of founding and ancillary businesses	79,999	(77,332)	-	-	2,667
Conversion of convertible notes	34,000	-	-	-	34,000
Shares issued through public float	15,000	-	-	-	15,000
Shares in lieu of directors fees	50	-	-	-	50
Equity raising expenses	(4,639)	-	-	-	(4,639)
Capital reconstruction expenses	-	(1,290)	-	-	(1,290)
Profit for the period	-	-	2,597	-	2,597
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the period	-	-	2,597	-	2,597
<b>Balance at 31 December 2014</b>	<b>123,659</b>	<b>(78,622)</b>	<b>4,768</b>	<b>751</b>	<b>50,556</b>

### For the half-year ended 31 December 2013

	Share Capital \$'000	Available for sale reserve \$'000	Retained Earnings \$'000	Total Equity \$'000
<b>Balance at 1 July 2013</b>	-	-	799	799
Restatement of share capital in line with current structure	-	-	-	-
Profit for the period as reported	-	-	1,159	1,159
Other comprehensive income as reported	-	(9)	-	(9)
Total comprehensive income for the period	-	(9)	1,958	1,949
<b>Balance at 31 December 2013</b>	<b>-</b>	<b>(9)</b>	<b>1,958</b>	<b>1,949</b>

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows

### For the half-year ended 31 December 2014

	Notes	31-Dec-2014 \$000	31-Dec-2013 \$000
<b>Operating activities</b>			
Receipts from customers		9,246	10,472
Payments to suppliers and employees		(11,756)	(9,856)
Net cash from (used in) operating activities		(2,510)	616
<b>Investing activities</b>			
Purchase of property, plant and equipment		(599)	(18)
Proceeds from disposals of financial assets		22	-
Purchase of intangible assets		(600)	-
Company restructure expenditure, net cash acquired	7	(226)	-
Acquisition of subsidiaries, net of cash	8	(4,046)	-
Payment of earn-out to vendor for controlled entity previously acquired		(135)	-
Purchase of financial assets		-	(60)
Net cash used in investing activities		(5,584)	(78)
<b>Financing activities</b>			
Repayments of lease finance loans		(167)	-
Net proceeds from issue of share capital		13,763	-
Interest paid		(23)	-
Net cash from financing activities		13,573	-
<b>Net change in cash and cash equivalents</b>		<b>5,479</b>	<b>538</b>
Cash and cash equivalents, beginning of period		2,809	441
<b>Cash and cash equivalents, end of period</b>		<b>8,288</b>	<b>979</b>

The accompanying notes form part of these financial statements.

## **Notes to the Condensed Interim Consolidated Financial Statements**

### **1. Nature of operations**

Australian Careers Network Limited and subsidiaries' ('the Group') principal activities include the provision of vocational educational and training ('VET') services in Australia. The Group conducts a number of VET businesses and partners with other registered training organisations and TAFE institutes to deliver nationally recognised qualifications ranging from Certificates to Advanced Diplomas.

The Group's services include skills recognition pathway programs, heavy equipment licensing, simulative and flexible learning, industry experienced training assessment and employment pathways in the trade horticulture and hospitality sectors. In addition, the Group includes 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.

The Group also partners with job seeking agencies to provide employment pathway to students seeking meaningful employment upon completion of a course.

### **2. General information and basis of preparation**

Australian Careers Network Limited was incorporated on 17 March 2014 and undertook an initial public offering ('IPO') on 26 November 2014. Prior to the IPO, ACN acquired 100% of the shares in five related companies in a script for script transaction. One of these companies, Community Training Initiatives Pty Ltd ('CTI') was identified as the acquirer of the other four companies under the business combination accounting principles. The consolidated financial statements have been presented as a continuation of CTI, including comparative information but using the equity structure of ACN. More information on this is included in Note 7.

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six (6) months ended 31 December 2014 and are presented in Australian dollar (\$AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the financial statements of the Community Training Initiatives Pty Ltd for the year ended 30 June 2014 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 27 February 2015.

### **3. Significant accounting policies**

The interim financial statements have been prepared in accordance with the accounting policies and are consistent with the accounting policies adopted in the Community Training Initiatives Pty Ltd's last annual financial statements for the year ended 30 June 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements. Additional significant accounting policies are:

### **3. Significant accounting policies (continued)**

#### 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 structured 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 acquisition method of accounting is used to account for the business combinations by Australian Careers Network.

Australian Careers Network applies a policy of treating transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Australian Careers Network Ltd.

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.

### **3. Significant accounting policies (continued)**

#### 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.

#### 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 profit or loss 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.

##### Leased assets

##### Finance leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

### **3. Significant accounting policies (continued)**

The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

#### Operating leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

#### Financial instruments

##### Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group 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.

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 Group'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

### **3. Significant accounting policies (continued)**

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 Group 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.

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 loss and any subsequent increase in fair value is recognised in Other Comprehensive Income ('OCI').

#### Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments. 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.

### **4. Estimates**

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

#### Revenue recognition

The group accounting policy for revenue recognition is to recognise revenue by reference to the stage of completion of the provision of training services. This is applied by recognising revenue on a straight line basis over the period in which the course is expected to be delivered.



#### 4. Estimates (continued)

The key judgement in recognising revenue on a straight line basis is the period of time with which students are expected to complete the course, factoring an allowance for attrition of students over the duration of the course.

##### Accounting for identifiable intangible assets

As part of the business combinations which have occurred during the period, management judgement was required in assessing the fair value of each identifiable asset acquired. Intangible assets relating to contracts held are based upon discounted future cash flows associated with the contracts. The future cash flows are based upon estimate and judgement.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Community Training Initiatives Pty Ltd's last annual financial statements for the year ended 30 June 2014. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

#### 5. Segment reporting

##### Identification of reportable operating segments

The consolidated entity operates in one segment being a full-service private vocational education and training service provider. This is based on the internal reports that are reviewed and used by the Executive Committee (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources.

The consolidated entity operates predominately in one geographical region being Australia.

#### 6. Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company (ACN) as the numerator, i.e. no adjustments to profits were necessary during the six (6) months period to 31 December 2014 and 2013. The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	6 months to 31-Dec-2014 No.	6 months to 31-Dec-2013 No.
Weighted average number of shares used in basic earnings per share	62,653,803	48,332,836*
Weighted average number of shares used in diluted earnings per share	62,653,803	48,332,836*

\* Actual number of shares issued by CTI at 31 December 2013 was 100. Earnings per share has been calculated by dividing:

- the profit or loss of the legal acquiree attributable to ordinary shareholders in each of those periods by
- the legal acquiree's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

#### 7. Business combination – corporate reorganisation

As disclosed in the Australian Careers Network Limited ("ACN") prospectus the ACN group was formed on 30 September 2014, through ACN acquiring 100% of five (5) related Companies in a script-for-script transaction, which included: Community Training Initiatives Pty Ltd, Community Employment Initiatives Pty Ltd, Consider This Training Pty Ltd, CLI Training Pty Ltd and Community Initiatives Group Pty Ltd. This was accounted for as a business combination.

## 7. Business combination – corporate reorganisation (continued)

The business combination also involved the acquisition of seven (7) entities, wholly owned subsidiaries of Community Initiatives Group Pty Ltd, having previously been acquired from other vendors, which included: Smart Connection Company Pty Ltd, Pan Bird Pty Ltd ('Heron Assess'), Thoan Pty Ltd ('Australian Management Academy'), Centre of Vocational Education Pty Ltd, LOKA Pty Ltd, International Training College Pty Ltd and Health Education and Recruitment Services Pty Ltd ('Haley College')

In accordance with AASB 3 – *Business Combination* an assessment has been made as to the entity which is the acquirer for accounting purposes. Based upon all factors considered, the accounting acquirer has been elected as being Community Training Initiatives Pty Ltd. As a result the Group financial report shows Community Training Initiatives Pty Ltd as the continuing entity including comparative information with the issued capital of the Group representing that of the legal parent Company Australian Careers Network Limited. The acquisition by Australian Careers Network Limited of the entire share capital of Community Training Initiatives Pty Ltd does not constitute a business combination given that Community Training Initiatives Pty Ltd is determined to be the acquirer for accounting purposes.

A summary of the assets and liabilities included as part of the restructure is as follows:

	\$000
<b>Recognised amounts of identifiable net assets</b>	
Cash and cash equivalents	825
Trade and other receivables	283
Work in progress	6,299
Other current assets	531
Total current assets	7,938
Property, plant and equipment	3,140
Deferred tax assets	617
Intangible assets	13,599
Total non-current assets	17,356
Other current liabilities	519
Trade and other payables	1,932
Total current liabilities	2,451
Borrowings	852
Other non-current liabilities	810
Deferred tax liabilities	5,532
Total non-current liabilities	7,194
Identifiable net assets	15,649
<b>Goodwill on acquisition</b>	<b>17,942</b>
Cash and cash equivalents acquired	825
<b>Net cash inflow on reconstruction</b>	<b>825</b>
Acquisition costs charged to expenses	(1,051)
<b>Net cash paid relating to the reconstruction</b>	<b>(226)</b>

The Group operates as one operating segment (refer note 5) and therefore goodwill is not allocated to a separate cash-generating unit at 31 December 2014. The goodwill that arose from this business combination is not expected to be deductible for tax purposes. Had the acquisition occurred on 1 July 2014, the Group's revenue for the period to 31 December 2014 would have been \$21.7 million. The Group's profit for the period would not be materially different to the amount reported.

## 8. Business combination - acquisitions

On 10 December 2014, the Group acquired 100% of the issued share capital and voting rights of Training Experts Australia Pty Ltd ('TEA') and Training Synergies Pty Ltd ('TS'), Companies based in Sydney that operates as a full-service private vocational education and training service provider. The objective of the acquisition is to further increase the Group's market share in providing private vocational education and training services.

Details of the business combination are as follows:

	\$000
<b>Fair value of consideration transferred</b>	
Amount settled in cash	4,000
<b>Recognised amounts of identifiable net assets</b>	
Property, plant and equipment	14
Intangible assets	164
Deferred tax assets	100
Total non-current assets	278
Work in progress	250
Trade and other receivables	575
Cash and cash equivalents	57
Total current assets	882
Borrowings	-
Deferred tax liabilities	94
Total non-current liabilities	94
Borrowings	2
Current tax liabilities	228
Trade and other payables	185
Total current liabilities	415
Identifiable net assets	651
<b>Goodwill on acquisition</b>	<b>3,349</b>
Consideration transferred settled in cash	4,000
Cash and cash equivalents acquired	(57)
<b>Net cash outflow on acquisition</b>	<b>3,943</b>
Acquisition costs charged to expenses	103
<b>Net cash paid relating to the acquisition</b>	<b>4,046</b>

### 8.1 Consideration transferred

Acquisition-related costs amounting to \$103,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income, as part of other expenses.

Deferred consideration of \$1,329,000 has been recognised as a liability based upon the discounted value of estimated earn outs payable in accordance with the share and purchase agreement of Smart Connection Company Pty Ltd. The earn-out is payable based upon the business achieving predetermined performance targets.

The basis for determination of the amount of the payment is based upon management's best estimate of the future performance of the business, adjusted for a probability factor.

## 8.2 Identifiable net assets

The fair values of the identifiable intangible assets have been determined provisionally at 31 December 2014, because the acquisition was completed late in the period. The Group is currently obtaining the information necessary to finalise its valuation.

The fair value of the trade and other receivables acquired as part of the business combination amounted to \$575,000 with a gross contractual amount of \$575,000. As of the acquisition date, the Group's best estimate is that all cash will be collected.

## 8.3 Goodwill

The Group operates as one cash generating unit (refer note 5) and therefore goodwill is not allocated to a separate cash-generating unit at 31 December 2014. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

## 8.4 Contribution to the Group's results of TEA and TS

TEA and TS did not contribute to the Group's revenues and profits, respectively from the date of the acquisition to 31 December 2014. Had the acquisition occurred on 1 July 2014, the Group's revenue for the period to 31 December would have been \$21.9 million. The Group's profit for the period would not be materially different to the amount reported.

## 9. Goodwill

The following table shows the movements in goodwill:

	6 months to 31-Dec-2014 \$000	Year to 30-Jun-2014 \$000
<b>Gross carrying amount</b>		
Balance, beginning of period	-	-
Acquired through business combination	21,295	-
<b>Balance, end of the period</b>	<b>21,295</b>	<b>-</b>
<b>Accumulated impairment</b>		
Balance, beginning of the period	-	-
Impairment loss recognised	-	-
<b>Balance, end of the period</b>	<b>-</b>	<b>-</b>
<b>Carrying amount at the end of the period</b>	<b>21,295</b>	<b>-</b>

## 10. Other intangible assets

The following tables show the movements in intangible assets:

		RTOs \$000	Contracts Held \$000	Course Materials \$000	Total \$000
<b>Gross carrying amount</b>					
Balance at 1 July 2014		-	-	448	448
Addition, separately acquired		-		600	600
Acquisition through business combination		500	11,200	2,063	13,763
<b>Balance at 31 December 2014</b>		<b>500</b>	<b>11,200</b>	<b>3,111</b>	<b>14,811</b>
<b>Amortisation and impairment</b>					
Balance at 1 July 2014		-	-	(66)	(66)
Amortisation		-	(884)	(298)	(1,182)
<b>Balance at 31 December 2014</b>		<b>-</b>	<b>(884)</b>	<b>(364)</b>	<b>(1,248)</b>
<b>Carrying amount at 31 December 2014</b>		<b>500</b>	<b>10,316</b>	<b>2,747</b>	<b>13,563</b>
<b>Gross carrying amount</b>					
Balance at 1 July 2013		-	-	-	-
Addition, separately acquired		-	-	448	448
<b>Balance at 30 June 2014</b>		<b>-</b>	<b>-</b>	<b>448</b>	<b>448</b>
<b>Amortisation and impairment</b>					
Balance at 1 July 2013		-	-	-	-
Amortisation		-	-	(66)	(66)
<b>Balance at 30 June 2014</b>		<b>-</b>	<b>-</b>	<b>(66)</b>	<b>(66)</b>
<b>Carrying amount at 30 June 2014</b>		<b>-</b>	<b>-</b>	<b>382</b>	<b>382</b>

## 11. Share capital

The number of shares on issue shown reflects those of Australian Careers Network Limited after the reconstruction. During the six (6) months to 31 December 2014, the following share transactions took place:

Details	Date	Shares	Issue price	\$'000
Balance	1/7/2014	499	\$1.00	-
Fair value of options issued related to equity raising		-	-	(751)
Shares issued to CTI founders in exchange for CTI shares	30/9/2014	48,332,836	\$1.60	77,332
Shares issued as settlement for purchase of founding and ancillary businesses	30/9/2014	1,666,665	\$1.60	2,667
Conversion of \$0.90 convertible notes	30/9/2014	8,333,333	\$0.90	7,500
Conversion of \$1.60 convertible notes	30/9/2014	16,562,500	\$1.60	26,500
Shares issued at IPO	11/12/2014	8,823,530	\$1.70	15,000
Transaction costs arising from issues of equity instruments				(4,639)
Shares issued in lieu of director fees	15/12/2014	29,412	\$1.70	50
Balance	31/12/2014	83,748,775		123,659

Each share has the same right to receive dividends and the repayment of capital and represents one vote at the shareholders' meeting of ACN.

## 12. Dividends

There were no dividends paid or declared to equity holders during the six months ended 31 December 2014. There were no dividends paid or declared to equity holders during the six months ended 31 December 2013.

### 13. Events after the reporting date

On 12 January 2015, the Group acquired 100% of the issued share capital of Phoenix Institute of Australia Pty Ltd ('Phoenix'), a Company based in Australia. The objective of the acquisition is to add further courses to Phoenix's current scope of delivery in areas of current need for clientele of the Group and the Directors' believe provides material upside for the Group.

The acquisition was settled with an initial cash payment of \$2.25 million on completion and a further payment of a maximum of \$2.25 million over 3 years based upon the future profit generated from the current programs meeting forecasts provided by the vendors. The fair value of the consideration transferred is as follows:

	\$000
Fair value of equity shares issued	-
Amount settled in cash	2,250
Fair value of contingent consideration	1,650
<b>Total</b>	<b>3,900</b>

The fair value of the contingent consideration represents the Group's estimate of the probable cash outflows (i.e. reflecting management's estimate of a 90% probability that the targets will be achieved) discounted using a rate of 11.84%.

The Group is in the process of determining the fair values of the acquired assets and assumed liabilities of Phoenix and therefore disclosure of the fair values of the net identifiable assets and the goodwill arising from the acquisition cannot be made. Finalisation of the valuation is expected to be completed before year-end.

## Directors' Declaration

1. In the opinion of the Directors of Australian Careers Network Limited:
  - a. The consolidated financial statements and notes of Australian Careers Network Limited are in accordance with the *Corporations Act 2001*, including:
    - i. Giving a true and fair view of its financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
    - ii. Complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and
  - b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:



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Ivan Brown - Director

Dated: 27<sup>th</sup> February 2015

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## **Independent Auditor's Review Report**

### **To the Members of Australian Careers Network Limited**

We have reviewed the accompanying half-year financial report of Australian Careers Network Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### **Directors' responsibility for the half-year financial report**

The directors of Australian Careers Network Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor's responsibility**

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Australian Careers Network Ltd consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

As the auditor of Australian Careers Network Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Careers Network Limited is not in accordance with the Corporations Act 2001, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



Adam Pitts  
Partner - Audit & Assurance

Melbourne, 27<sup>th</sup> February 2015