Australian Careers Network Limited
ABN 98 168 592 434

Appendix 4E – Preliminary Full Year Financial Report

The following information is given to the Australian Securities Exchange (ASX) under ASX listing rule 4.3A.

Reporting period: **For the year ended 30 June 2015**

Previous corresponding period: For the year ended 30 June 2014

Results for announcement to the market:

	2015	2014	Change
	$000	$000	%
Revenue from ordinary activities	85,159	17,834	390%
Profit from ordinary activities after tax attributable to members	17,277	1,372	1,159%
Net profit for the period attributable to members	17,277	1,372	1,159%

Dividends:

On 25 August 2015, the directors of the Company declared a final fully franked dividend of $0.13 per share, representing payout ratio of 65%; payable on 23 September 2015.

The record date for determining entitlements to the dividends is 9 September 2015.

The Company does not have a dividend reinvestment plan.

Review of Operations and Financial Results:

Refer to the section contained within the attached Director's Report for commentary on financial results.

Net tangible assets per security:

	2015	2014
Net tangible asset backing per ordinary security	35 cents	4 cents

The net tangible assets per ordinary share is calculated based on 83,748,775 ordinary shares on issue as at 30 June 2015.

Entities over which control has been gained or lost during the period:

Refer to Note 15 of the attached Financial Statements for details of entities over which control has been gained. There were no entities over which control was lost during the period.

Associates and Joint Venture Entities:

Refer to Note 11 in the attached financial report.

Audit:

The financial statements are in the process of being audited.

Australian Careers Network Limited
ABN 98 168 592 434

Preliminary Financial Report

For the year ended 30 June 2015

Contents

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 year ended 30 June 2015.

Director details

The following persons were Directors of ACN during the financial year and up to the date of this report:

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

Principal activities

During the year, the principal activities of entities within the Group were the provision of vocational educational and training ('VET') services in Australia. There have been no significant changes in the nature of these activities during the year.

Review of operations and financial results

As disclosed in the 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 scrip-for-scrip transaction, which included:

- Community Training Initiatives Pty Ltd ('CTI')
- Community Employment Initiatives Pty Ltd
- Consider This Training Pty Ltd ('CTT')
- CLI Training Pty Ltd
- The 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 ('COVE')
- LOKA Enterprises Pty Ltd
- International Training College Pty Ltd
- Health Education and Recruitment Services Pty Ltd ('Haley College')

As set out in Note 2 of these financial statements, CTI has been identified as the acquirer for the purposes of acquisition accounting and accordingly the statutory results in this report reflect 12 months of trading results of CTI and the combined results of the above Group entities from 1 October 2014. Comparatives for the year ended 30 June 2014 represent the results of CTI only.

Directors' Report (continued)

Key financial information

	Statutory Actual			Prospectus Forecast	
	2015 $'000	2014 $'000	Change %	2015 $'000	Change %
Revenue	85,159	17,384	390% increase	47,917	78% increase
EBITDA (before one offs)	31,730	8,217	286% increase	22,477	41% increase
Less: one-offs costs	(2,703)	(6,171)	-	-	-
Reported EBITDA	29,027	2,046	1,319% increase	22,477	29% increase
Less: depreciation & amortisation	(3,747)	(86)	-	(1,858)	-
EBIT	25,280	1,960	1,190% increase	20,619	23% increase
Less: interest expense	(42)	-	-	209	-
Less: income tax expense	(7,961)	(588)	-	(6,249)	-
Net profit after tax	**17,277**	**1,372**	**1,159% increase**	**14,579**	**19% increase**

Earnings before Interest Tax, Depreciation and Amortisation ("EBITDA") before one-off costs (corporate restructuring, business acquisition roll-up and IPO related expenses) was $31.7 million.

Revenue increased 390% to $85.2 million compared to the prior corresponding period. Enrolments, the principle lead indicator for future revenue performance, grew 417% to 25,784 students in FY15 (compared to 4,990 students in FY14). At 30 June 2015 the Company has approximately 17,000 current enrolments with expected future revenue of approximately $120 million. EBITDA margin is expected to improve over FY2016.

The average revenue yield per student was $3,303. This was above the prospectus forecast 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 the average certificate and diploma revenue yield per student is $3,757.

The EBITDA margin before one-off costs of 37.3% 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. As noted in previous communications to the market, this investment has been made ahead of the anticipated significant increase in the number of student enrolments being attracted by the Company. As stated above enrolments for the financial year were 25,784 compared to only 15,648 in the prospectus forecast.

Amortisation and depreciation of $3.7 million is significantly higher than prospectus forecast. The principal cause is the final acquisition accounting for 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 it was forecast that a higher proportion of the balance would be ascribed to goodwill (an intangible that is not amortised but rather subject to annual impairment testing).

Directors' Report (continued)

The operating result of the Group for the period ended 30 June 2015 was a profit of $17.3 million compared to the prior corresponding period of $1.4 million. Earnings per share have increased during the period to $0.24 (2014: $0.03), based on the weighted average number of shares on issue. The Company has declared a dividend of $0.13 per share, representing payout ratio of 65%, based on the total number of shares issued at balance date.

Total Working Capital increased by $26.6 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 has resulted in negative cash flows from operating activities of $1.6 million, with the cash for accrued income since received in July and August months. Cash flows from operations were $1.1 million before payments in relation to IPO and acquisition related costs of $2.6 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 $15.0 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 of Australia Pty Ltd ("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 regulatory course audits from a range of statutory bodies including the HESG. As disclosed in the ASX market update on 3 July 2015, the Victorian HESG is conducting a quality review at Australian Management Academy, and until that review is completed, payments for some qualifications are being withheld and new enrolments suspended. Further, the department also took steps to wind up the 2014 contract held by CTT. The review at Australian Management Academy is expected to be completed shortly and the Company is hopeful of returning to business as usual. The Company is then focusing on remediating the CTT matter satisfactorily.

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: 25th August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Revenue		85,159	17,384
Direct training costs		(28,948)	(4,078)
Administration and other expenses	6	(24,486)	(4,579)
Marketing expense		(3,699)	(596)
Acquisition and due diligence costs relating to company restructure	6	(2,623)	-
Management fees		(80)	(6,171)
Share of net loss from joint venture accounted for using the equity method		(43)	-
Finance costs		(42)	-
Profit before income tax		**25,238**	**1,960**
Income tax expense		(7,961)	(588)
Profit for the year		**17,277**	**1,372**
Other comprehensive income:			
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year		**17,277**	**1,372**
Profit for the year attributable to:			
Owners of the Parent		**17,277**	**1,372**
Total comprehensive income for the year attributable to:			
Owners of the Parent		**17,277**	**1,372**

		30-June-2015 cents	30-June-2014 cents
Earnings per share			
Basic earnings per share	7	23.61	2.84
Diluted earnings per share	7	23.61	2.84

The above consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Financial Position

As at 30 June 2015

	Notes	2015 $'000	2014 $'000
Assets			
Current			
Cash and cash equivalents		6,234	2,809
Trade and other receivables	8	36,133	5,631
Prepayments		2,764	225
Income tax receivable		-	25
Total current assets		**45,131**	**8,690**
Non-current			
Plant and equipment		4,600	208
Goodwill	9	27,296	-
Other intangible assets	10	10,372	382
Investment accounted for using the equity method – joint venture	11	123	-
Deferred tax assets		2,190	359
Total non-current assets		**44,581**	**949**
Total assets		**89,712**	**9,639**

Liabilities			
Current			
Trade and other payables		8,171	6,259
Borrowings	12	190	-
Current tax payable		6,357	-
Provisions		1,440	92
Total current liabilities		**16,158**	**6,351**
Non-current			
Trade and other payables		810	-
Borrowings	12	630	-
Provisions		754	-
Deferred tax liabilities		4,653	1,117
Total non-current liabilities		**6,847**	**1,117**
Total liabilities		**23,005**	**7,468**
Net assets		**66,707**	**2,171**
Equity			
Share capital	13	125,131	-
Share option reserve		751	-
Reserves		(78,623)	-
Retained earnings		19,448	2,171
Total equity		**66,707**	**2,171**

The above consolidated statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015

	Share Capital $'000	Capital Reorganisation Reserve $'000	Retained Earnings $'000	Share Option Reserve $'000	Total Equity $'000
Balance at 1 July 2014	-	-	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 after tax	(3,167)	-	-	-	(3,167)
Capital reconstruction expenses	-	(1,291)	-	-	(1,291)
Profit for the year	-	-	17,277	-	17,277
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	17,277	-	17,277
Balance at 30 June 2015	**125,131**	**(78,623)**	**19,448**	**751**	**66,707**

For the year ended 30 June 2014

	Share Capital $'000	Retained Earnings $'000	Total Equity $'000
Balance at 1 July 2013	-	799	799
Profit for the year	-	1,372	1,372
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	1,372	1,372
Balance at 30 June 2014	**-**	**2,171**	**2,171**

The above consolidated statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015

	Notes	2015 $'000	2014 $'000
Operating activities			
Receipts from customers		56,672	14,144
Payments to suppliers and employees		(54,499)	(13,364)
Payments in relation to IPO and acquisition related costs*	6	(2,623)	-
Income tax paid		(1,078)	(151)
Interest paid		(42)	-
Net cash from operating activities		**(1,570)**	**629**
Investing activities			
Purchase of property, plant and equipment		(1,817)	(181)
Proceeds from disposals of financial assets		22	-
Purchase of intangible assets		(719)	(447)
Net cash acquired in company restructure	15(a)	825	-
Investment in JV		(166)	-
Acquisition of subsidiaries, net of cash acquired	15	(6,446)	-
Payment of earn-out to vendor for controlled entity previously acquired		(280)	-
Purchase of financial assets		-	(60)
Net cash used in investing activities		**(8,581)**	**(688)**
Financing activities			
Repayments of lease finance loans		(187)	-
Net proceeds from related party borrowings		-	2,427
Proceeds from issue of share capital		15,000	-
Share issue transaction costs		(1,237)	-
Net cash from financing activities		**13,576**	**2,427**
Net change in cash and cash equivalents		**3,425**	**2,368**
Cash and cash equivalents, beginning of period		2,809	441
Cash and cash equivalents, end of period		**6,234**	**2,809**

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

*Approximately $1.1 million (Note 15(a)) in payments in relation to acquisition related costs were classified within investing activities in the Appendices 4C for the December 2014, March 2015 and June 2015 quarters. The reclassification of the $1.1 million to operating activities has been made as part of the year end audit process.

Notes to the Consolidated Financial Statements

1. Nature of operations

Australian Careers Network Limited ('ACN') and subsidiaries' ('the Group') principal activities include the provision of vocational education and training services in Australia. The Group delivers quality training services and outcomes for students focusing on relevant course content. ACN has a diversified education offering across a number of different industry sectors; including trades, health & wellness, business, sport and recreation, and hospitality. ACN offers both funded and non-funded offerings ranging from short courses, nationally recognised Certificate qualifications and Higher education degrees.

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 ('ACN') was incorporated on 17 March 2014 and undertook an initial public offering ('IPO') on 15 December 2014. ACN is the Parent entity of the Group from a Corporations Law perspective.

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 15(a).

3. Significant accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

3.1 Basis of consolidation

The Group financial statements consolidate those of the Parent Company, Australian Careers Network Limited ('ACN'), and all of its subsidiaries as of 30 June 2015. The Parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

Subsidiaries are all those entities (including structured entities) over which the ACN 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 ACN controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to ACN. They are de consolidated from the date that control ceases.

ACN 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 ACN.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

3.2 Business combination

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Significant accounting policies (continued)

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquire, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (i.e. gain on a bargain purchase) is recognised in profit or loss immediately.

3.3 Investments in associates and joint arrangements

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries.

A joint venture is an arrangement that the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the arrangement's net assets rather than direct rights to underlying assets and obligations for underlying liabilities. A joint arrangement in which the Group has direct rights to underlying assets and obligations for underlying liabilities is classified as a joint operation.

Investments in associates and joint ventures are accounted for using the equity method. Interests in joint operations are accounted for by recognising the Group's assets (including its share of any assets held jointly), its liabilities (including its share of any liabilities incurred jointly), its revenue from the sale of its share of the output arising from the joint operation, its share of the revenue from the sale of the output by the joint operation and its expenses (including its share of any expenses incurred jointly).

Any goodwill or fair value adjustment attributable to the Group's share in the associate or joint venture is not recognised separately and is included in the amount recognised as investment.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

3.4 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary / associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates.

See Note 3.2 for information on how goodwill is initially determined. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses.

Significant accounting policies (continued)

Goodwill is allocated to cash generating units for the purpose of impairment testing. As at acquisition date, any goodwill acquired is allocated to each of the cash generating units expected to benefit from the business combination, 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. Refer to Note 9 for a description of impairment testing procedures.

3.5 Other intangible assets

Recognition of other intangible assets

Funding contracts, course materials and registrations (RTO, CRICOS, etc.) acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values (see Note 3.2).

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over their estimated useful lives, as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3.8.

The following useful lives are applied:

- Course materials: 2 to 5 years
- Funding contracts: 2.25 to 3.25 years

Registrations and licences acquired in a business combination are considered to have an indefinite life as they remain in place unless terminated. These intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or other expenses.

3.6 Plant and equipment

Plant and equipment comprising heavy equipment, IT hardware, furniture and fixtures which include leasehold improvements are initially recognised at acquisition cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management. Plant and equipment also include heavy equipment held under a finance lease (see Note 3.7). Plant and equipment are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Significant accounting policies (continued)

Depreciation is recognised on a straight-line basis. The following useful lives are applied:

- Furniture and fixtures: 3 to 10 years
- Plant and other equipment: 3 to 5 years

In the case of leasehold property, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

3.7 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.

See Note 3.6 for the depreciation methods and useful lives for assets held under finance lease. 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.

3.8 Impairment testing of goodwill, other intangible assets and property, plant and equipment

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Significant accounting policies (continued)

Goodwill has been allocated a single cash generating unit (determined by the Group's management as equivalent to its operating segment) is tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined for the cash-generating unit and reflect management's assessment of market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

3.9 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.

Significant accounting policies (continued)

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 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.

Classification and subsequent measurement of financial liabilities

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

Significant accounting policies (continued)

3.10 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office ('ATO') and other fiscal authorities relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full.

Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income (such as the revaluation of land) or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Significant accounting policies (continued)

Tax consolidation

ACN and its wholly-owned Australian controlled entities have implemented the 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 sharing and 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.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.12 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:

- Share option reserve – comprises the fair value of options issued in relation to equity raising

- Reserves – the consolidated Group is a continuation of CTI, the acquirer for accounting purposes. ACN has recorded the net assets of CTI at their historic carrying value at the date of acquisition as a capital re-organisation reserve in equity. As CTI, and not ACN is the 'acquirer' entity, the effect of the transaction recording ACN's investment in CTI is eliminated whilst still maintaining the issued capital of ACN, the legal Parent.

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.

Significant accounting policies (continued)

3.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are benefits, other than termination benefits, that are expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. Examples of such benefits include wages and salaries, non-monetary benefits and accumulating sick leave. Short-term employee benefits are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The Group's liabilities for annual leave and long service leave are included in other long term benefits as they are not expected to be settled wholly within twelve (12) months after the end of the period in which the employees render the related service. They are measured at the present value of the expected future payments to be made to employees. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds (2014: government bonds) that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if the Group does not have an unconditional right to defer settlement for at least twelve (12) months after the reporting period, irrespective of when the actual settlement is expected to take place.

3.14 Provisions, contingent liabilities and contingent assets

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Significant accounting policies (continued)

No liability is recognised if an outflow of economic resources as a result of present obligation is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

3.15 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the 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 statement of financial position are shown inclusive of GST.

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

3.16 Revenue

Revenue arises from the rendering of services (see Note 4) plus the Group's share of revenue of its joint venture. It is measured by reference to the fair value of consideration received or receivable, excluding sales taxes and discounts.

Interest and dividend income
Interest income and expenses are reported on an accrual basis using the effective interest method. Dividends, other than those from investments in associates, are recognised at the time the right to receive payment is established.

4. Significant management judgement in applying accounting policies

When preparing the 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.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Revenue recognition
The Group's 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 the course is expected to be delivered.

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. If circumstances arise that may change the original estimates of revenue or extent of progress towards course completion, the estimates are revised and reflected in the profit and loss in the period in which the circumstances that give rise to the revised estimates become known to management.

Significant management judgement in applying accounting policies (continued)

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 3.8).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 3.2). 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. Furthermore, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 15(a)i).

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.

Cash generating unit (CGU)

The lowest level within the Group at which the goodwill is monitored by management is on a whole of Group single CGU basis that is not larger than the operating segment identified above.

6. Income statement disclosures

	2015 $'000	2014 $'000
Expenses before interest and income taxes within Administration and other expenses included:		
Amortisation		
Training materials	794	66
Contracts	1,986	-
Total amortisation	2,780	66
Depreciation		
Plant and equipment	790	14
Furniture and fixtures	177	6
Total depreciation	967	20
Employee benefits expense	13,212	3,001
Acquisition and due diligence costs comprised:		
Business acquisition costs	1,680	-
Cost and professional fees associated with ASX listing and company restructure	943	-
Total acquisition and due diligence costs	**2,623**	**-**

7. 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 twelve(12) months period to 30 June 2015 and 2014. 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:

	Year ended 30-June-2015 No.	Year ended 30-June-2014 No.
Weighted average number of shares used in basic earnings per share	73,172,392	48,332,836
Weighted average number of shares used in diluted earnings per share	73,172,392	48,332,836

48,332,836 shares issued on 30 September 2014 have been weighted as if issued on 1 July 2014 for the weighted average number of shares for the year ended 30 June 2015. The actual number of shares of the legal parent (ACN) was 499 from 1 July 2014 to 30 September 2014.

Using the actual dates of shares issued for ACN gives a weighted average number of shares of 60,892,839 and basic earnings per share of $0.28. Using the actual weighted average number of shares of CTI for the comparative period of 100 gives a basic earnings per share of $13,720.

The comparative weighted average number of shares for the year ended 30 June 2014 has been adjusted to be that of the 48,332,836 shares issued on 30 September 2014 as part of the Group reorganisation for comparability purposes.

	30-June-2015 cents	30-June-2014 cents
Earnings per share		
Basic earnings per share	23.61	2.84
Diluted earnings per share	23.61	2.84

8. Trade & Other Receivables

Trade and other receivables consist of the following:

	2015 $'000	2014 $'000
Trade debtors	1,055	317
Provision for impairment of receivables	(250)	-
	805	317
Other debtors	378	-
Accrued revenue*	34,950	3,722
Other short-term financial assets	-	83
Related party receivables	-	1,509
Total trade & other receivables	**36,133**	**5,631**

***Accrued revenue**
Refer to comments on revenue recognition at Note 4. In July 2015 the Group received $68,048,000 of cash inflows from operations of which $30,377,000 related to the accrued revenue as at June 2015 (Note 16: events subsequent to reporting date).

Impaired receivables
As at 30 June 2015, current trade receivables of the Group with a nominal value of $250,000 were impaired. The amount of the provision was $250,000. It was assessed that no portion of these receivables are expected to be recovered.

The ageing of these Group receivables is as follows:

	2015 $'000	2014 $'000
0 days to 90 days overdue	-	-
Over 90 days overdue	250	-
	250	-

Movements in the provision for impairment of receivables are as follows:

	2015 $'000	2014 $'000
At start of financial year	-	-
Provision for impairment recognised during the year	250	-
Receivables written off during the year as uncollectible	-	-
At end of financial year	250	-

Past due but not impaired receivables

As at 30 June 2015, trade receivables of $49,000 were past due but not impaired. These related to a number of customers for whom there is no recent history of default. The ageing analysis of these trade receivables are as follows:

	2015 $'000	2014 $'000
0 days to 90 days overdue	49	174
Over 90 days overdue	-	-
	49	174

As noted above these receivables are past due but not impaired and accordingly we expect these receivables to be fully collectable.

9. Goodwill

The following table shows the movements in goodwill:

	Note	$000
Carrying amount at 30 June 2013		-
Impairment loss recognised		-
Carrying amount at 30 June 2014		-
Acquired through business combinations:		
Corporate restructure	15(a)	21,236
TEA and TS	15(b)	3,885
Phoenix	15(c)	1,546
Wizard Corporate Training	15(d)	629
Impairment losses recognised		-
Carrying amount at 30 June 2015		**27,296**

The Group operates a as a single cash generating unit (CGU) (refer Note 5). The recoverable amount of the CGU is based on value in use. Value in use is calculated using a discounted cash flow model covering a 5 year period with an appropriate terminal growth rate at the end of that period. Management has conducted sensitivity analysis using the value in use model and is of the view that there is significant headroom between the value in use and the carrying amount of goodwill as at 30 June 2015.

The model utilises cash flow forecasts and extrapolations based on budgets that have been reviewed by management and the Board. The key assumptions that on which management has based its cash flow projections on to undertake impairment testing of goodwill are:

- Forecast compound annual growth rates (CAGR) for years 1 to 5 of 3.0%. The net cash inflow growth rate in the 2016 financial year budget compared to the 2015 financial year is materially larger than 3.0%, however a conservative 3.0% growth rate was used for the value in use model;
- Terminal growth rate of 2.5%; and
- Pre-tax discount rate of 14.5% which approximates the CGU's weighted average cost of capital (pre-tax).

10. Other intangible assets

Details of the Group's other intangible assets and their carrying amounts are as follows:

	2015 $'000	2014 $'000
Other intangibles		
Registrations	1,300	-
Contracts at cost	8,354	-
Accumulated amortisation	(1,986)	-
	6,368	-
Course development at cost	3,564	448
Accumulated amortisation	(860)	(66)
	2,704	382
Total other intangibles	**10,372**	**382**

Other intangible assets (continued)

Reconciliations:

Reconciliations of the carrying amount of each class of intangible asset at the beginning and end of the current financial period are set out below:

Consolidated	Note	Registrations $000	Contracts $000	Course Development $000	Total $000
Carrying amount at 30 June 2013		-	-	-	-
Additions, separately acquired		-	-	448	448
Amortisation	6	-	-	(66)	(66)
Carrying amount at 30 June 2014		**-**	**-**	**382**	**382**
Additions, separately acquired		-	-	719	719
Acquired through business combinations	15	1,300	8,354	2,397	12,051
Amortisation	6	-	(1,986)	(794)	(2,780)
Carrying amount at 30 June 2015		**1,300**	**6,368**	**2,704**	**10,372**

11. Investment in joint venture

	2015 $'000	2014 $'000
Jointly Controlled Entity – Joint Venture		
Equity accounted investment	**123**	**-**

CTI is a partner in joint venture with MMC Group Consulting Pty Ltd to provide labour hire services. The 50:50 joint venture is an incorporated joint venture (MMC Labour Hire Pty Ltd).

(a) Movements in carrying amounts of investment in jointly controlled entity:

	2015 $'000	2014 $'000
Carrying amount at 30 June 2014	-	-
Investment	166	-
Share of losses before income tax	(61)	-
Share of income tax benefit	18	-
Carrying amount at 30 June 2015	**123**	**-**

(b) Contingent liabilities of joint venture: the joint venture had no contingent liabilities.

12. Borrowings

	2015 $'000	2014 $'000
Current		
Hire purchase – plant and equipment	190	-
Total current secured borrowings	**190**	**-**
Non-current		
Hire purchase – plant and equipment	630	-
Total non-current secured borrowings	**630**	-
Total secured borrowings	**820**	**-**

Borrowings – (continued)

All borrowings are denominated in AUD. The above hire purchase loans are secured against the financed plant and equipment. The weighted average fixed interest rate is 6.04%.

Remaining contractual maturities

The following table details the consolidated entity's remaining contractual maturity in relation to its hire purchase liabilities. The table includes both interest and principal cash flows as the remaining contractual maturities and therefore the total differs from the carrying amount in the statement of financial position.

2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Interest-bearing – fixed rate						
Hire purchase	6.04%	235	186	519	-	940

Credit facilities

Credit facilities available as at reporting date were:

	2015 $'000	2014 $'000
Total facilities		
Short-term credit	1,030	-
Used as at reporting date		
Short-term credit	86	-
Unused as at reporting date		
Short-term credit	944	-

13. Share capital

The number of shares on issue shown reflects those of Australian Careers Network Limited after the reconstruction. During the twelve months to 30 June 2015, 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, net of tax				(3,167)
Shares issued in lieu of director fees	15/12/2014	29,412	$1.70	50
Balance	30/06/2015	83,748,775		125,131

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

14. Dividends

On 25 August 2015, the directors of the Company declared a final fully franked dividend of $0.13 per share, representing payout ratio of 65%; payable on 23 September 2015. There were no dividends paid or declared to equity holders during the year ended 30 June 2014.

15. Business combinations

(a) 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 The Community Initiatives Group Pty Ltd. This was accounted for as a business combination.

The business combination also involved the acquisition of seven (7) entities, wholly owned subsidiaries of The 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 Enterprises Pty Ltd, International Training College Pty Ltd and Health Education and Recruitment Services Pty Ltd ('Haley College')

In accordance with *AASB 3 – Business Combinations* 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 ACN. The acquisition by ACN 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. Details of the fair values of the identifiable net assets included as part of the restructure are as follows:

	$'000
Recognised amounts of identifiable net assets	
Cash and cash equivalents	825
Trade and other receivables	283
Work in progress	4,299
Other current assets	531
Total current assets	5,938
Property, plant and equipment	3,140
Deferred tax assets	617
Intangible assets	10,753
Total non-current assets	14,510
Other current liabilities	519
Trade and other payables	1,834
Total current liabilities	2,353
Borrowings	852
Other non-current liabilities	810
Deferred tax liabilities	4,078
Total non-current liabilities	5,740
Identifiable net assets	12,355
Goodwill on acquisition	**21,236**
Cash and cash equivalents acquired	825
Net cash inflow on reconstruction	**825**
Acquisition costs charged to expenses	(1,051)
Net cash paid relating to the reconstruction	**(226)**

Business combinations – (continued)

The Group operates as one operating segment (refer Note 5) and goodwill is allocated to a single cash-generating unit as at 30 June 2015. Goodwill recognised in 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 year to 30 June 2015 would have been $84.7 million. The Group's profit for the year would have been lower by $2.9 million to the amount reported.

i. Consideration transferred

On the 30 September 2014, ACN acquired 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 The Community Initiatives Group Pty Ltd. 49,999,501 of shares in ACN with a fair value of $79,999,000 were issued to the prior owners of the above entities as consideration.

Acquisition-related costs amounting to $1,051,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and in operating cash flows in the statement of cash flows.

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.

As at 30 June 2015 total contingent consideration was $1,049,000.

ii. Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $283,000 with a gross contractual amount of $283,000. As of the acquisition date, the Group's best estimate is that all cash will be collected.

Business combinations – (continued)

(b) Training Experts Australia Pty Ltd and Training Synergies Pty Ltd

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 operate as a full-service private vocational education and training service provider. The objective of the acquisition was to further increase the Group's market share in providing private vocational education and training services.

The provisional fair values of the identifiable net assets acquired are detailed below:

	$'000
Fair value of consideration transferred	
Amount settled in cash	4,000
Post completion working capital adjustment payable	536
Total	**4,536**
Recognised amounts of identifiable net assets	
Property, plant and equipment	14
Intangible assets	164
Deferred tax assets	100
Total non-current assets	278
Work in progress	313
Trade and other receivables	142
Cash and cash equivalents	344
Total current assets	799
Deferred tax liabilities	94
Total non-current liabilities	94
Borrowings	2
Current tax liabilities	297
Trade and other payables	33
Total current liabilities	332
Identifiable net assets	651
Goodwill on acquisition	**3,885**
Consideration transferred settled in cash	4,000
Cash and cash equivalents acquired	(344)
Net cash outflow on acquisition	**3,656**
Acquisition costs charged to expenses	213
Net cash paid relating to the acquisition	**3,869**

i. Consideration transferred

Post completion working capital adjustment of $536,000 has been recognised as a liability which was settled in July 2015.

Acquisition-related costs amounting to $213,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and in operating cash flows in the statement of cash flows.

ii. Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $142,000 with a gross contractual amount of $142,000. As of the acquisition date, the Group's best estimate is that all cash will be collected.

Business combinations – (continued)

iii. 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 30 June 2015. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

iv. TEA and TS contribution to the Group's results

TEA and TS contributed $1,459,000 and $410,000 to the Group's consolidated revenues and consolidated profit, respectively from the date of the acquisition to 30 June 2015. Had the acquisition occurred on 1 July 2014, the Group's revenue for the year to 30 June would have been $86.8 million. The Group's profit for the financial year would not have been materially different to the amount reported.

(c) Phoenix

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 provisional fair values of the identifiable net assets acquired are detailed below:

	$'000
Fair value of consideration transferred	
Amount settled in cash	2,250
Settlement of contingent consideration	600
Total	**2,850**
Recognised amounts of identifiable net assets	
Property, plant and equipment	193
Intangible assets	800
Deferred tax assets	10
Total non-current assets	1,003
Trade and other receivables	139
Cash and cash equivalents	396
Total current assets	535
Borrowings	21
Total non-current liabilities	21
Borrowings	5
Employee provisions	34
Current tax payable	25
Trade and other payables	149
Total current liabilities	213
Identifiable net assets	1,304
Goodwill on acquisition	**1,546**
Consideration transferred settled in cash	2,250
Cash and cash equivalents acquired	(396)
Net cash outflow on acquisition	**1,854**
Acquisition costs charged to expenses	252
Net cash paid relating to the acquisition	**2,106**

Business combinations – (continued)

i. Consideration transferred

The acquisition was settled with an initial cash payment of $2,250,000 on completion and estimated contingent consideration with a fair value of $1,650,000 payable over 3 years. Since acquisition, management has negotiated to settle the entire contingent consideration with a final payment of approximately $600,000 including working capital adjustments. The final payment is expected to be made in the short term.

Acquisition-related costs amounting to $252,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and in operating cash flows in the statement of cash flows.

ii. Identifiable net assets

The fair value of the trade and other receivables acquired as part of the business combination amounted to $139,000 with a gross contractual amount of $139,000. As of the acquisition date, the Group's best estimate is that all cash will be collected.

iii. 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 30 June 2015. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

iv. Phoenix contribution to the Group's results

Phoenix contributed $56,040,000 and $11,200,000 to the Group's consolidated revenues and consolidated profit, respectively from the date of the acquisition to 30 June 2015. Had the acquisition occurred on 1 July 2014, the Group's revenue for the period to 30 June would have been $1,700,000 higher and Group's profit would not be materially different to the amount reported.

Business combinations – (continued)

(d) Wizard Corporate Training

On 13 March 2015, the Group purchased the business assets of Wizard Corporate Training Pty Ltd, a business based in Australia. The acquired fee for service business provides corporate training to corporates and government departments with an emphasis on information technology training. The objective of the acquisition is to add to the Group's training offerings in the corporate and government sector and to diversify the Group's sources of revenue.

The provisional fair values of the identifiable net assets acquired are detailed below:

	$'000
Fair value of consideration transferred	
Amount settled in cash	936
Total	**936**
Recognised amounts of identifiable net assets	
Property, plant and equipment	195
Intangible assets	334
Deferred tax assets	52
Total non-current assets	581
Provisions	110
Deferred tax liabilities	100
Total non-current liabilities	210
Employee provisions	64
Total current liabilities	64
Identifiable net assets	307
Goodwill on acquisition	**629**
Consideration transferred settled in cash	936
Cash and cash equivalents acquired	-
Net cash outflow on acquisition	**936**
Acquisition costs charged to expenses	164
Net cash paid relating to the acquisition	**1,100**

i. Consideration transferred

The acquisition was settled with a cash payment of $936,000 on completion.

Acquisition-related costs amounting to $164,000 are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and in operating cash flows in the statement of cash flows.

ii. 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 30 June 2015. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Business combinations – (continued)

iii. Wizard Corporate Training contribution to the Group's results

The new business contributed $1,068,000 and $47,000 to the Group's consolidated revenues and consolidated profit, respectively from the date of the acquisition to 30 June 2015. Had the acquisition occurred on 1 July 2014, the Group's revenue for the year to 30 June 2015 would have been $2.5 million higher. The Group's profit for the year would have been higher by $160,000 to the amount reported.

16. Events subsequent to reporting date

In July 2015 the Group received $68,048,000 of progress payments for VET FEE HELP and Vocational courses. $30,377,000 of the above amount related to the accrued revenue (see Note 8) as at 30 June 2015.