2015 Annual Report

Australian Careers Network Limited

ACN 168 592 434

Contents

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ACN 168 592 434

7 Raleigh Street
Spotswood VIC 3015

Annual General Meeting

The Annual General Meeting of shareholders in the Company will be held at 11:00am (EST) on Monday, 26 October 2015 at 6th Floor, 446 Collins Street, Melbourne, Victoria.

The ACN difference

Who We Are

Australian Careers Network (ACN) is a company dedicated to comprehensive training and employment solutions for a wide variety of clients across Australia.

ACN is the parent company of Community Training Initiatives (CTI), a network of training and employment service providers working to connect people with nationally recognised training, labour hire, employment and fee for service professional development and IT training.

Through its partnerships with education and recruitment professionals across the country, ACN is a hub of industry experience and expertise providing training and employment opportunities in a range of industries, including: Building and Construction, Warehousing and Manufacturing, Business and Management, and Fitness and Health.

Our Services

ACN's services are distributed through three broad commercial streams, reflecting the full range of our available offerings for individuals, businesses and employers.

Training and Student Services for Individuals

By partnering with leading education providers, ACN connects clients with nationally accredited courses and qualifications from licences and short courses to Certificate, Diploma and Bachelor level qualifications.

Consultancy and Skills Solutions for Business

With our wide range of fee for service options, including professional development and IT training courses, ACN is able to provide a suite of training and staff development services for business clients in a wide array of industries.

Employment and Recruitment Solutions for Industry

With strong industry connections and access to nationally accredited training options, ACN works to develop and sustain a strong talent pool of workers with industry skills and experience, providing employment and training opportunities to individuals and recruitment and labor hire services to employers.

Why We Are Different

Flexible Training

By expanding our network, ACN connects clients across the country with flexible, high-quality training options. Clients can study online, learn in the workplace or train with industry professionals in the classroom without compromising on quality or integrity.

Industry Experts

Our workplace training solutions are formed by strong industry partnerships and a commitment to real business outcomes. We work directly with employers to provide skills, which enhance business productivity and improve workforce integrity.

Creating Opportunity

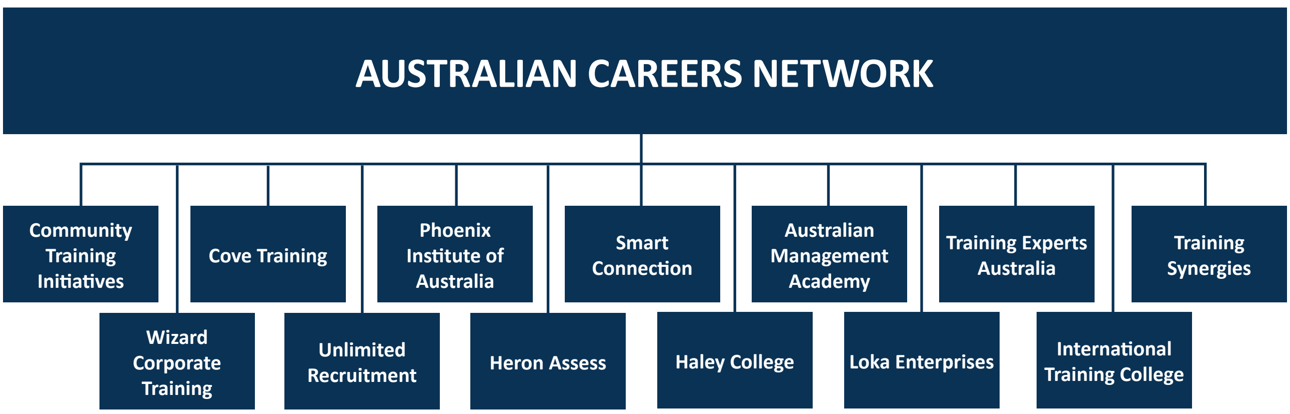
As we expand our employment and recruitment services, ACN is creating opportunities for all Australians, by connecting industry employers with smarter, simpler recruitment solutions.

A Passion for Sports

ACN, particularly through CTI, has a strong history of sports sponsorship, including as Naming Rights Partner of the Melbourne United Basketball Club and as Principal Partner of the 2014/2015 A-League champions, Melbourne Victory.

These partnerships have provided invaluable brand-building opportunities, not just with consumers through direct advertising and branding, but with business clients and opportunities sourced through the team Sponsor Networks.

In 2015, CTI's suite of sport sponsorships was expanded to include several new agreements, including the Williamstown Seagulls FC and as the Ball Sponsor of the Richmond Tigers AFL club.

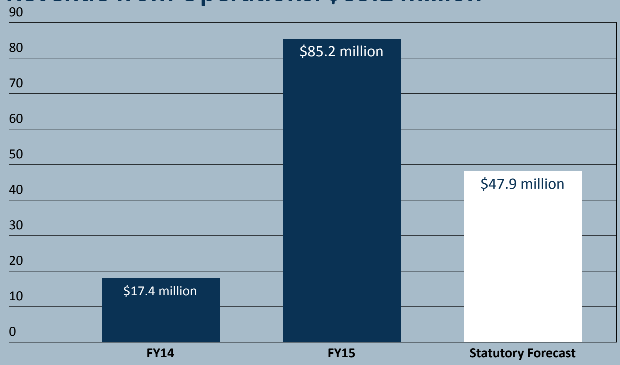


Results in Brief

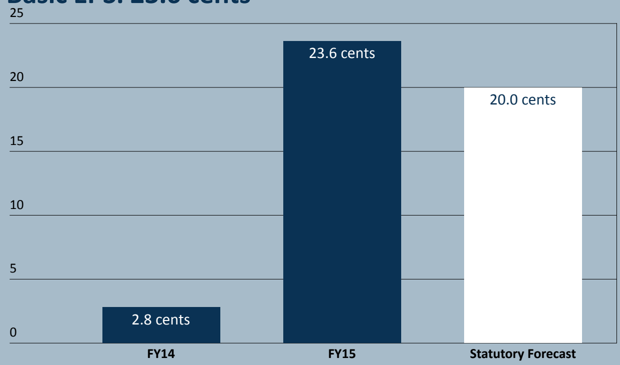
An outstanding year where:

- **all operational and financial targets were achieved;**
- **the foundations were laid to support an aggressive growth plan; and**
- **the Company was able to pay a significant maiden dividend to shareholders.**

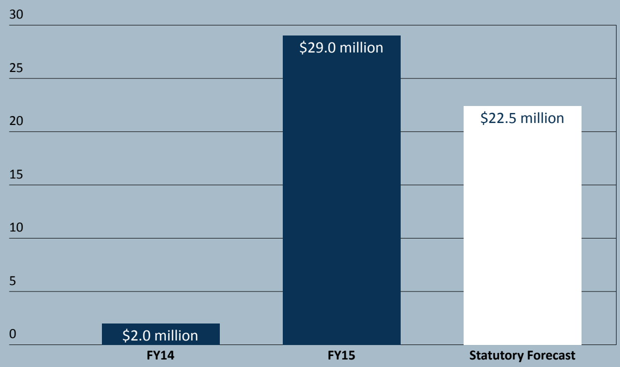
Revenue from Operations: $85.2 million



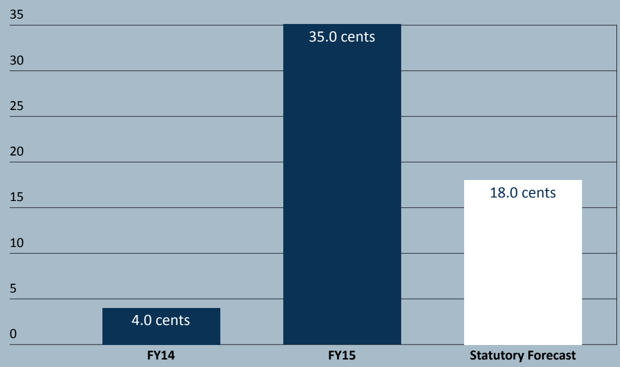
Basic EPS: 23.6 cents



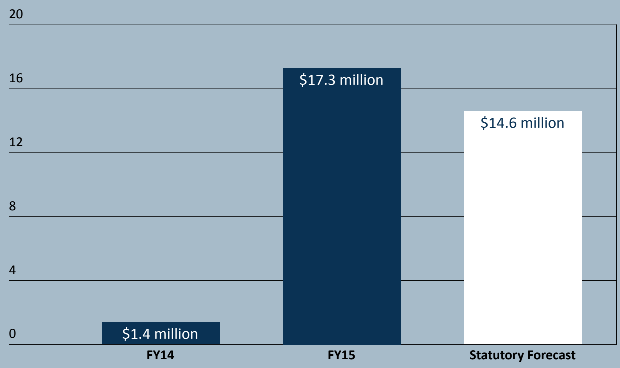
EBITDA: $29.0 million



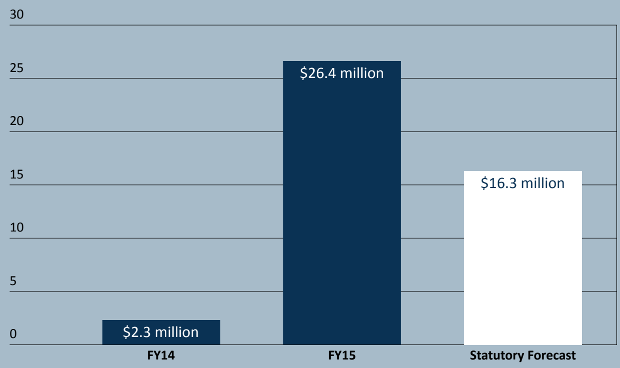
Net Tangible Assets per share: 35 cents



NPAT: $17.3 million



Net Working Capital: $26.4 million



Chairman's Report

"ACN has broadened its student base from a Victorian student centric model to a truly national education provider, offering both face-to-face and online interactive engagement in course delivery."

Dear Shareholder,

On behalf of the Board of Australian Careers Network Limited (ACN) I am very pleased to provide shareholders with our inaugural Annual Report setting out the progress and achievements of the Company since its initial public offering and listing on the ASX in December 2014.

The Company has successfully acquired and integrated three acquisitions, namely Training Experts Australia Pty Ltd, Phoenix Institute of Australia Pty Ltd and Wizard Corporate Training Pty Ltd since listing. These acquisitions complement our strategic initiatives to diversify and balance our revenue streams across multiple funded and non-funded sources. Our focus on diversification continues, with a number of possible vertical integration opportunities that are presently under review or in progress.

In line with this strategy, the Company's acquisition of Phoenix Institute in January 2015 enabled ACN to access the provision of higher education courses and the VET FEE-HELP funding model. Since then the Company has invested considerable resources in growing this business by adding new diploma courses on scope and introducing an online delivery platform "myTime Learning". In addition, ACN has broadened its student base from a Victorian student centric model to a truly national education provider, offering both face-to-face and online interactive engagement in course delivery.

The 2015 financial year is best described as a tale of two halves. The first half was devoted to the integration of the businesses that formed part of the corporate restructure before and as part of the IPO. The second half has been about rapidly growing our higher education offering and student base with access to the VET FEE-HELP accreditation, which has grown significantly in the last six months. In anticipation of the increased course delivery, however, the Company incurred significant unbudgeted expenses during the half, adding additional trainers, management and administration staff, IT investments and expanding our facilities to cope with increased student numbers.

The heart of ACN remains its vocational education and training (VET) businesses which it delivers using appropriately qualified trainers and third party content through its 10 registered training organisations (RTOs) in over 40 locations across Victoria, Queensland and New South Wales. The Company's primary services include workplace training and classroom based accredited certificates and diplomas, heavy equipment licensing, simulative and flexible learning, industry-experienced training assessment, and partnering with job seeking agencies to provide employment pathways to students upon completion of a qualification.

ACN is committed to an ethical and socially responsible approach to VET training. We have implemented industry best practices and maintain strict controls and compliance standards to uphold the rights of students and all stakeholders who deal with our business.

Management has and will continue to work on growing and integrating these operations and leveraging the sponsorship and marketing activities associated with the businesses to drive growth. This strategy has seen student numbers increase to 25,784, up 65% on the Prospectus forecast. The Company's core training strengths in trade based courses were, and remain, the strongest performers. During the past financial year the Company has increased its training footprint in Victoria to in excess of 50 sites, opening additional campuses in the Latrobe Valley, Laverton and Broadmeadows.

The ACN team has grown from approximately 60 employees in July 2014 to over 540 today, providing training for students qualifications. This has been an extraordinary period of growth, which has required significant investment in systems and processes. The plan for our Company is continued growth, with further investment in our people and infrastructure, to deliver quality outcomes for our students.

The key to the success of ACN will be delivering quality training services to our students. This does not just involve maintaining our high course completions rates, but rather, the real test of our success will be student engagement and subsequent placement in employment positions. Over the long term, this is the criteria by which we should ultimately be judged.

I would like to thank the Board, the executive team and all the staff of ACN for their important contributions to this past year in establishing the Company as a national training provider. I look forward to their continued support and dedication in the years ahead.

Yours sincerely

Stephen Williams
Chairman, Australian Careers Network Limited

Our Offering

ACN provides a wide range of training and labour hire services across a broad spectrum of industries:

myTime Learning

myTime Learning provides online study options to students across Australia, with courses available in a number of industries, including Early Childhood Education and Care, Community Services Work, and Business and Management.

Facilitated through Phoenix Institute, myTime Learning presents an opportunity to advertise and deliver streamlined online learning services dedicated and focused on providing high-quality teaching through the Internet.

Key Offerings:

- Diploma of Business
- Diploma of Management
- Diploma of Early Childhood Education and Care
- Diploma of Community Services Work

Machinery Operations Trades

Through a number of ACN's Registered Training Organisations (RTOs), most notably COVE Training and Heron Assess, ACN is able to offer a wide range of Building and Construction, Hospitality, Processing and Warehousing workplace training qualifications and machine operation licences.

Delivered through combinations of workplace assessment, on-site training and classroom based sessions, which are able to deliver and assess teaching with a minimum of workplace disruption, making them ideal qualifications for people already working in the industry.

Key Offerings:

- Licence to Operate a Forklift Truck
- Certificate III in Civil Construction Plant Operations
- Certificate IV in Logistics
- Certificate IV in Patisserie
- Certificate III in Concreting

Unlimited Recruitment

As a core component of Business-to-Business ACN offerings, Unlimited Recruitment provides the labour hire and recruitment services to both businesses seeking staffing solutions and job seekers seeking employment.

Unlimited Recruitment works with employers to assess and identify their staffing and staff development needs and develop a sustainable, high quality, labour hire pool and with job seekers to connect them with the jobs and training they need to take the next step in their career.

Key Offerings:

- Recruitment solutions for individuals and businesses
- Labour hire for short term staffing solutions
- Staff development through training opportunities

Our Offering

Classroom Learning

Complementing the workplace-based qualifications offered by ACN's partnered RTOs, ACN also gives people access to completely classroom-based courses in a variety of disciplines, particularly Business and Management and Fitness and Health.

Through training providers such as Phoenix Institute, Smart Connection and Wizard Corporate Training, ACN's classroom based learning covers Certificate and Diploma level qualifications as well as professional development and IT training short courses.

Key Offerings:

- Certificate IV in Warehousing Operations
- Certificate III in Work Health and Safety
- Certificate III in Aquatics
- Certificate IV in Building and Construction (Building)
- Certificate III in Business Administration (Education)

International

Located on the Gold Coast, Queensland, the International Training College is strongly positioned, both in location and within the market, to draw international students to its courses, including its exciting and varied elective course programs.

After a number of years of operation, International Training College enjoys a long history of success and brand building and is consistently building its international reputation.

Key Offerings:

- Diploma of Sport and Recreation Management
- Certificate IV in Fitness
- Certificate III in Sport and Recreation

myTime LEARNING

UNLIMITED Recruitment

CTI Community Training Initiatives

PHOENIX INSTITUTE OF AUSTRALIA

WIZARD CORPORATE TRAINING

cove TRAINING

BUILDING FUTURES AUSTRALIAN MANAGEMENT ACADEMY

smart connection training

International TRAINING COLLEGE

Managing Director's Report

> ***"We have invested heavily in marketing and sponsorship during the year, and this increased brand awareness is yielding results."***

ACN is a leading provider of vocational education and training services in Australia, delivering quality educational services across a number of different industry sectors including: trades, health & wellness, childcare, business, sport & recreation, and hospitality. ACN offers government funded and fee for service training, ranging from short courses, nationally recognised Certificate qualifications and Higher Education degrees.

Operations – FY15

FY15 has been a period of significant growth. During this period management has focused on integrating companies that formed part of the corporate restructure leading into the IPO. We have also acquired several new businesses with the clear imperative of reducing risk through income diversification, both in terms of funding source and the method of course delivery. To that end ACN acquired:

- Training Experts Australia – Funded and fee for service courses delivered through training employees onsite in New South Wales, Western Australia, Victoria and Queensland;
- Phoenix Institute of Australia – Higher education courses focusing on Holistic, Human Health and Wellbeing, which we have subsequently expanded to include four additional diploma courses on scope; and
- Wizard Corporate Training – Government funded and fee for service courses, focusing on IT and Professional Development in ACT, New South Wales, Victoria and South Australia.

Statutory results: Financial year ended 30 June 2015 compared to prospectus forecast

I am delighted to report that ACN has delivered significant growth in the year to June 2015, beating the targets set at the time of the IPO. The table below shows the statutory and pro-forma consolidated income statement for the financial year ended 30 June 2015 compared to the forecast that formed part of the Prospectus issued November 2014.

Looking at the statutory results, the Company achieved outstanding revenue growth to $85.2 million, a 78% outperformance of the Prospectus forecast (Statutory revenue $47.9 million). Our growth reflects the introduction of new government funded revenue streams for vocational and higher education courses, as well as strong momentum within ACN's existing revenue streams and the contribution from some small, but strategic, acquisitions.

We have invested heavily in marketing and sponsorship during the year, and this increased brand awareness is yielding results. The group enters FY16 with considerable momentum, with over 17,000 students currently enrolled in courses and student retention rates that are among the highest in the industry.

To ensure our expansion is sustainable and standards are maintained, we have made a substantial investment in educators, training facilities, compliance and quality assurance personnel, and improved systems and processes for student enrolment and reporting. The headcount increased to over 540 employees, which provides a significant platform for the Company's ongoing expansion in students and courses on scope.

This investment has resulted in costs increasing significantly above budget, with the Company incurring costs of $53.4 million during the period (Statutory Forecast $25.4 million). We also incurred acquisition and due diligence costs during the year totalling $2.7 million.

Despite the higher costs, it is pleasing to report that due to the strong revenue growth, the net effect was better than expected. Earnings Before Interest Tax (EBIT) was $25.3 million, 23% ahead of the Prospectus forecast of $20.6 million.

The EBIT margin of 29.7% (Prospectus forecast: 43.0%) reflected the investments made to support FY15 and FY16 growth across existing and new revenue streams. Some of the expenditure will not need to be repeated and we would expect an improvement in margins in FY16.

The effective tax rate on operating earnings for the year ended 30 June 2015 was broadly in line with the statutory tax rate, at 32%.

Managing Director's Report

	FY15 Statutory Actual	FY15 Statutory Forecast	FY 15 Statutory Diff	%	FY15 Proforma Actual	FY15 Proforma Forecast	FY15 Proforma Diff	%
Revenue	83,951	47,720	36,231	76%	86,774	55,780	30,994	56%
Other income	1,208	197	1,011	513%	1,208	355	853	240%
Total Revenue	**85,159**	**47,917**	**37,242**	**78%**	**87,982**	**56,135**	**31,847**	**57%**
Direct training costs	(28,948)	(9,652)	(19,296)	-200%	(30,732)	(11,535)	(19,197)	-166%
Administration and other expenses	(20,782)	(13,181)	(7,601)	-58%	(23,399)	(14,896)	(8,503)	-57%
Marketing expenses	(3,699)	(2,607)	(1,092)	-42%	(3,774)	(3,229)	(545)	-17%
Total Expenses	**(53,429)**	**(25,440)**	**(27,989)**	**-110%**	**(57,905)**	**(29,660)**	**(28,245)**	**-95%**
EBITDA (before one offs)	**31,730**	**22,477**	**9,253**	**41%**	**30,077**	**26,475**	**3,602**	**14%**
Acquisition & due diligence	(2,703)	–	(2,703)	-100%	(4,340)	(998)	(3,342)	-335%
EBITDA	**29,027**	**22,477**	**6,550**	**29%**	**25,737**	**25,477**	**260**	**1%**
Depreciation and Amortisation Expense	(3,747)	(1,858)	(1,889)	-102%	(4,595)	(2,467)	(2,128)	-86%
EBIT	**25,280**	**20,619**	**4,661**	**23%**	**21,143**	**23,010**	**(1,867)**	**-8%**
Finance costs	(42)	209	(251)	120%	(56)	198	(254)	128%
Income tax expense	(7,961)	(6,249)	(1,712)	-27%	(6,786)	(6,962)	176	3%
NET INCOME	**17,277**	**14,579**	**2,698**	**19%**	**14,300**	**16,246**	**(1,946)**	**-12%**

Financial position

The table to the right sets out the statutory consolidated net assets at 30 June 2015 compared to the Pro forma net assets for the prior period as disclosed in the Prospectus published in November 2014.

The significant increase in receivables and payables reflects the growth experienced in the business.

Receivables growth reflects the substantial expansion of the higher education offering during the second half of the year. Some $30.4 million of this balance was collected early in the 2016 financial year.

	Actual 30 June 2015 $'000	Proforma 30 June 2014 $'000
Assets		
Cash	**6,234**	14,567
Receivables	**36,133**	8,413
Prepayments	**2,764**	–
PPE	**4,600**	3,558
Goodwill & Other Intangibles	**39,318**	33,353
Deferred Tax Assets	**3,101**	1,366
Total Assets	**92,273**	61,340
Liabilities		
Payables	**8,171**	4,524
Provisions	**2,194**	47
Current tax payable	**8,917**	862
Borrowings	**820**	1,148
Deferred Consideration	**810**	1,765
Deferred Income Tax Liability	**4,654**	5,232
Total Liabilities	**25,566**	13,578
Total Net Assets	**66,707**	47,762

Managing Director's Report

Cash Flow

The table below sets out the statutory consolidated cash flow at 30 June 2015:

	30 June 2015 $'000	30 June 2014 $'000
Operating Activities		
Receipts from customers	**56,672**	14,144
Payments to suppliers and employees	**(54,499)**	(13,364)
IPO and Acquisition related costs	**(2,623)**	–
Income taxes paid	**(1,078)**	(151)
Interest paid	**(42)**	–
Net cash used in operating activities	**(1,570)**	629
Investing Activities		
Purchase of property, plant and equipment	**(1,817)**	(181)
Acquisition of subsidiaries	**(6,446)**	–
Purchase of intangible assets	**(719)**	(447)
Other investing activities	**401**	(60)
Net cash used in investing activities	**(8,581)**	(688)
Financing Activities		
Repayments of finance loans	**(187)**	–
Proceeds from related parties loans	**–**	2,427
Proceeds from issue of share capital	**13,763**	–
Net cash used in financing activities	**13,576**	2,427
Net change in cash and cash equivalents	**3,425**	2,368
Cash and cash equivalents at beginning of financial year	**2,809**	441
Cash and cash equivalents, end of period	**6,234**	2,809

The group had net cash of $6.2 million at 30 June 2015, an increase of $3.4 million from June 2014.

This was enhanced by the receipt of $30.4 million of progress payments relating to the 30 June 2015 financial year for VET FEE-HELP and Vocational Courses early in the 2016 financial year. Had the Company received the $30.4 million before 30 June 2015 the cash balance would have been $36.6 million, and receivables would have reduced from $36.1 million to $5.7 million.

Operational developments moving forward

The Company will continue its strategy of geographical expansion and revenue diversification. ACN intends to be a service provider across all elements of the training and employment value chain. At the same time, we will grow existing training businesses organically through well contracted sponsorship and marketing activities, leveraging our scale across the full scope of our educational offerings. To achieve this management will focus on the following initiatives:

- Strive towards gaining market share through geographic growth in New South Wales, Queensland, and Western Australia in the growing business sector of VET;
- Continual investment in quality course materials and infrastructure to ensure that the delivery of education will provide industry leading outcomes for students; and
- Maintain a disciplined approach to grow the business through successfully identifying and evaluating appropriate acquisition opportunities in associated business sectors.

CASE STUDY: Melbourne Markets

In 2015, ACN secured a partnership with the Melbourne Markets, with an ACN presence to be incorporated into the new Markets and National Flower Centre building in Epping.

This partnership is the first of a new business partnership model, leveraging ACN's complete business model to provide comprehensive training, support and recruitment services to our partners.

Through ACN's facility in the Epping Market location, clients will be able to access nationally accredited training in a number of fields, most particularly the Forklift Licence courses provided by COVE Training. They will also have access to professional development and IT training short courses through Wizard Corporate Training, as well as on-site IT support. Unlimited Recruitment will also be on hand to provide the businesses operating in the Markets access to our comprehensive staff development, recruitment and labour hire services.

This facility will provide a strong brand-wide presence for ACN, with each of the three commercial streams represented and operating within the Melbourne Markets, and will provide a strong example of the business synergies ACN can bring to prospective partnership proposals in the future.

AUSTRALIAN CAREERS NETWORK GROWTH OPPORTUNITIES

- Diversify state revenue sources
- Examine options for expansion into Queensland
- Seek to secure further interstate TAFE training partnerships
- Increased automation and online business solutions to capture advertising and marketing initiatives
- Seek to secure further major corporate training contracts
- Explore investment opportunities in the wider education value chain
- Extend the CTI brand to NSW

Board of Directors

Board of directors

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

Stephen Ray Williams LLB

Bachelor of Laws (Sydney)
Chairman and Non-executive Director

Expertise: Mr Williams is a retired partner of Kemp Strang Lawyers in Sydney and is a company director with over 35 years' experience in corporate and business transactions, including IPOs and advising ASX listed companies and experience in the education sector. Mr Williams is also the former chairman and non-executive director of Coffey International Limited (for 16 years) and non executive director of PrimeAg Australia Limited. He is also the current chairman and non-executive director of ASX listed, Axiom Mining Limited and the current chairman of Sydney Church of England Grammar School (Shore), Sydney.

Independence or affiliations: Independent

Interests In Shares: 41,320 Shares held indirectly through the Burrawong Superannuation Pty Ltd.

Ivan Robert Brown

CEO and Managing Director

Expertise: Mr Brown is the CEO and co-founder of Community Training Initiatives and has been instrumental to its growth and success. Mr Brown has had a substantial career working in the VET sector in executive management roles. He holds a Masters of Business Administration (Finance), Graduate Certificates in Management (Learning), Vocational Education and Training, Management and Human Resource Management and a Graduate Diploma in Community Sector Management. He is a Fellow of the Australian Institute of Management

Independence or Affiliations: Director of IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust (a substantial Shareholder), an entity which holds 23,288,874 Shares.

Interests In Shares: Ivan Robert Brown has an indirect interest in 23,288,874 Shares (which are directly held by IBT Holdings Pty Limited as trustee for the IBT Holdings Family Trust, an entity controlled by Ivan Robert Brown) as well as an indirect interest in 8,700 Shares through Ivan Brown Superannuation Fund Pty Ltd.

Raymond Keith Griffiths

Non-executive Director

Expertise: Mr Griffiths is currently also a director of Midweek Consulting Pty Ltd (a professional services business primarily offering analysis and advice around matters of governance, leadership and management of complex educational enterprises), VET Development Centre Ltd (a Victorian Government-owned entity offering professional development programs to RTOs operating in Victoria) and his self-managed superannuation fund, Griffnix Pty. Ltd. Mr Griffiths is also the former CEO of Kangan Institute. He holds a Diploma from the Australian Institute of Company Directors (AICD), Master of Education (Leadership and Management), Diploma of Frontline Management, Diploma of Education and Bachelor of Economics. Mr Griffiths is a member of the AICD and has published several articles of relevance to the VET sector.

Independence or affiliations: Independent

Interests In Shares: 25,000 Shares held indirectly through Griffnix Super Fund Pty Ltd.

Board of Directors

Craig Graeme Chapman

Non-executive Director

Expertise: Mr Chapman has over 25 years' experience in service industries, including holding senior management roles with hotels, travel companies, theme parks and the property industry with particular emphasis on consolidations over the last 14 years. Mr Chapman has held senior finance and operational roles with well-established organisations, including Ramada Hotels & Resorts, Stamford Hotels & Resorts, Jones Lang LaSalle, S8 Limited, Greencross Limited and G8 Education Limited. Mr Chapman has held senior management, company secretarial and director positions with 4 ASX listed companies. Mr Chapman is currently a non-executive director of Agenix Limited. He holds a Bachelor of Commerce and Graduate Diploma in Company Secretarial Practice, is a CPA and a member of the Institute of Chartered Secretaries and Administrators.

Independence or affiliations: Independent

Interests in Shares: 679,412 Shares held indirectly through a number of entities.

Samantha Martin-Williams

Non-executive Director

Expertise: Ms Martin-Williams is a non-executive director and corporate advisor with more than 15 years' board and applied governance experience. She has gained board experience in a diverse range of industries including complex and highly regulated sectors. This required a strong focus on effective risk management, whilst strategically leading each organisation through transformational change to achieve increased growth in revenue, profitability, service delivery and profile. Samantha has executive leadership experience at CEO level where her career has spanned banking, financial services, education and training, human resources, health, logistics and resources and includes international experience. She currently serves on the boards of The Newcastle Permanent Building Society, The Salvation Army | Australian Eastern and the Newcastle Permanent Charitable Foundation and has held former directorships on Foundations, public unlisted companies, major not-for-profit and government boards. Holding degrees in Business, Industrial Relations| Human Resources and Commercial law, Samantha is a conjoint lecturer at The University of Newcastle Business School. She is a Fellow of the Australian Institute of Company Directors and a former recipient of Telstra Business Woman of the Year Award NSW.

Independence or affiliations: Independent

Senior Management

Senior management

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

David Green

Company Secretary and Chief Financial Officer

Mr Green joined the Australian Careers Network Group as Chief Financial Officer and Company Secretary in April 2014.

Mr Green is a Chartered Accountant with over 25 years' commercial experience. His professional career commenced with Ernst & Young (initially in Australia and then over a period of 5 years in the UK) followed by a number of senior finance appointments in commerce. In the last 15 years, he has held the position of Chief Financial Officer and Company Secretary for a number of listed and unlisted Australian companies in industries including healthcare, agriculture, renewables, retail electricity, manufacturing and biotechnology.

Mr Green has had significant experience in both private treaty acquisitions and takeover transactions. With a strong background in financial and operational restructuring, he has assisted with the development of cost rationalisation strategies, corporate restructures, industry roll-ups and strategic alliance negotiations. He has also played a pivotal role in capital management and major fund raising activities (in both local and international debt and equity markets) together with corporate investor relations and media liaison.

Mr Green holds a Bachelor of Economics and a Master of Applied Finance.

Mr Green resigned from ACN, leaving the Company on 4 September 2015. A new Company Secretary/Chief Financial Officer will commence at ACN on 5 October 2015. Mr Ivan Brown has been appointed Company Secretary in the interim.

Harry Kochhar

Chief Operations Officer

Mr Kochhar has significant experience in RTOs, encompassing 10 years in senior management positions, including strategic management roles and operational management roles. Most recently, Mr Kochhar held the role of operations manager for Aegis Services Australia Limited, a global business process outsourcing company with over 55,000 employees.

Mr Kochhar has been involved in the application, implementation and stakeholder management of funded and fee for service programs. His experience includes defining and monitoring project budgets, identifying market needs and executing strategy to fulfil labour market needs.

Mr Kochhar has extensive practical training experience through his training roles with William Angliss Institute of TAFE, Holmes Institute, Sarina Russo Institute & Sarina Russo Schools, MCIE and Futurum Australia.

Our Commitment

ACN is committed to creating opportunity for working Australians, through quality vocational training, dedicated student support and advanced employment services. Our commitment to training and career outcomes for students underpins everything we do as a business, and ACN makes a commitment to promote an ethical and socially-responsible approach to VET training.

The sheer volume of students who have completed a qualification with ACN is testament to our rigorous screening and evaluation processes, which ensure that prospective students have the requisite skills to undertake and complete our courses. Our proudest achievement is facilitating thousands of Australian students with the skills to find gainful industry employment, through an ongoing commitment to the quality and integrity of our training.

From training outcomes to student recruitment, ACN takes an industry best practice approach to informing and empowering the student, and to upholding the rights of students who engage with our business. Staff within ACN are routinely briefed on industry standards, including our responsibilities under Federal and State legislation, and ACN compliance officers liaise with all aspects of the business to ensure these standards are met.

As the private VET sector has expanded, the Australian Skills Quality Authority (ASQA) has implemented stronger safeguards against unethical practices within the sector, including the actions of so-called "rogue brokers". ACN welcomes these changes, and has implemented a range of measures to ensure that the rights of potential and existing students are protected at every stage of the recruitment and training delivery process.

ACN protects against this risk through a zero-tolerance policy against any unethical, predatory or non-compliant sales practices.

When an external broker refers a student to ACN, that student undertakes a thorough and detailed screening evaluation process with our staff. Students are informed of their rights and obligations in undertaking VET study, including financial obligations under the VET FEE-HELP loan scheme when applicable.

"Our commitment to training and career outcomes for students underpins everything we do as a business, and ACN makes a commitment to promote an ethical and socially-responsible approach to VET training."

Students are interviewed to determine their capacities to undertake VET study, and unfortunately a number of students are found to fall short of course requirements. Those students are not enrolled with ACN, and do not enter into any financial obligation with our business or with funding providers.

When changes to the governing legislation were made in 2015, all sales brokers associated with ACN were informed of their responsibilities, and warned that they would face punitive actions should they attempt to circumvent the new rules.

The behaviour of third-party brokers is measured against the work of ACN pre-enrolment officers, who alert staff to any inappropriate attempts to enrol students, and any complaints about brokers received through our online complaints system. If a complaint is upheld against a broker, ACN takes immediate action to remedy the situation, including terminating any arrangement with the broker concerned. Misconduct is referred to ACN Group's Quality Oversight Committee for action.

ACN Group continues to work with ASQA, State and Federal Governments to ensure positive training and career outcomes for students. We are working to provide more options, better solutions and real outcomes for our students across Australia.

Our people

"The key ingredients to enhancing the Company's people are to attract, empower and retain them. These are they key focus areas of the Company's HR initiatives over the next financial year."

The ACN employee base grew ninefold over the financial year, due to acquisitions and the substantial organic growth experienced by the group. As a result, a major effort has been undertaken to integrate resources, establish processes, procedures and systems to ensure a consistent approach to quality service delivery and corporate culture adoption over the period.

In addition, the Company has implemented a series of initiatives to support HR best practices and build the employee value proposition. The key ingredients to enhancing the Company's people are to attract, empower and retain them. These are the key focus areas of the Company's HR initiatives over the next financial year.

Providing employees with a safe work environment is pivotal to on-going employee retention. Across all of ACN's departments and facilities, a culture of safety and responsibility has been established and promoted to ensure a safe and healthy workplace for everyone.

Attraction

As a relatively young company within the VET training industry, ACN aims to position itself as an employer of choice within the industry and attract the talent we will need to continue our phenomenal levels of success.

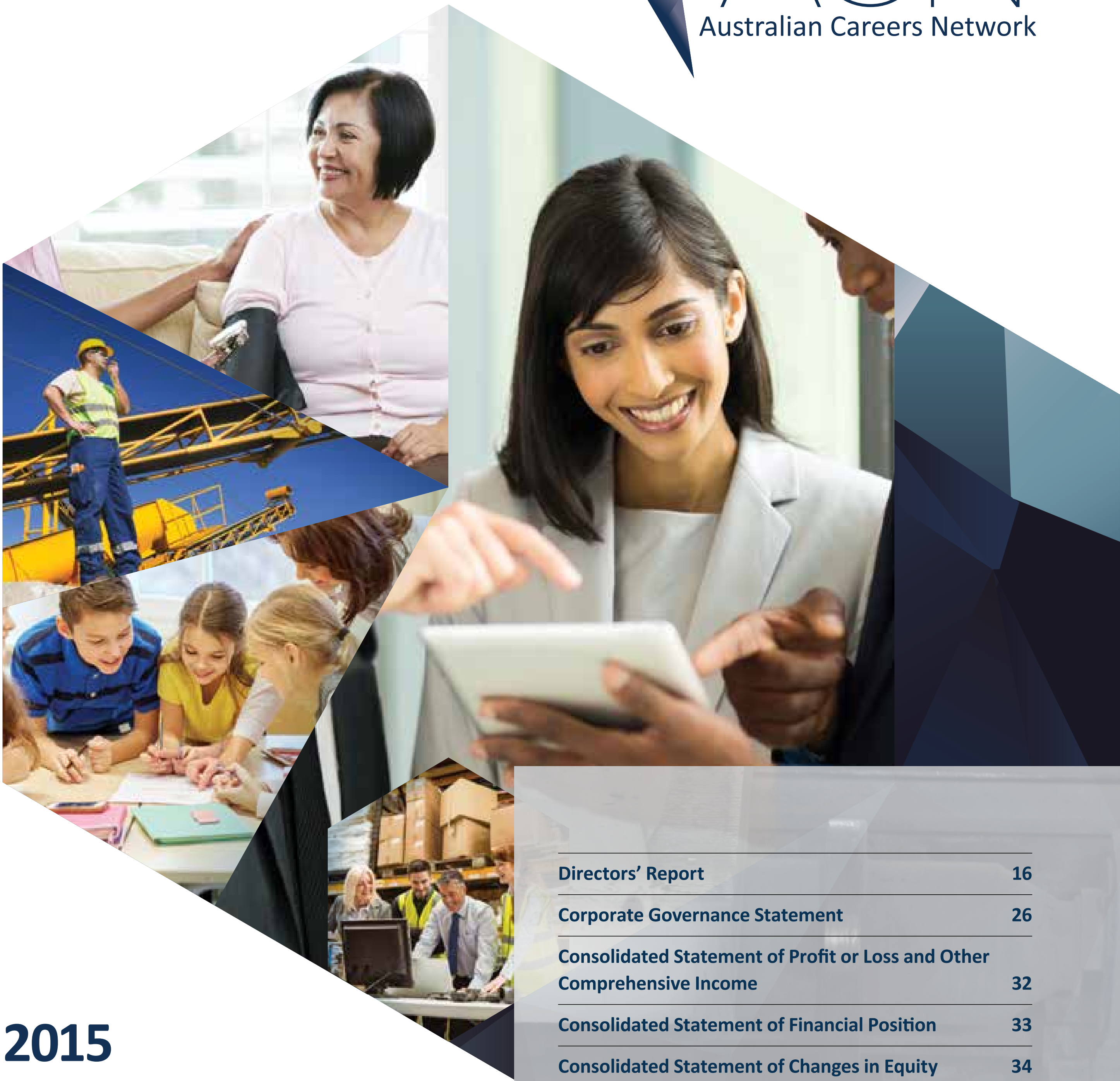
Empowerment

ACN is committed to the ongoing development of current staff, through the enhancement of career management practices, progression through opportunity and structured training programs.

Retention

Staff retention programs focusing on intrinsic and extrinsic benefits will be developed and implemented as a matter of priority to retain corporate talent.

Australian Careers Network



2015
Financial Report

Australian Careers Network Limited

ACN 168 592 434

Directors' Report

The Directors of 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 Graeme Chapman	appointed 27 August 2014
Mr Ray Keith Griffiths	appointed 27 August 2014
Ms Samantha Martin-Williams	appointed 27 August 2015
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 ('CEI')
- Consider This Training Pty Ltd ('CTT')
- CLI Training Pty Ltd ('CLI')
- The Community Initiatives Group Pty Ltd ('CIG')

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 ('SCC')
- Pan Bird Pty Ltd ('Heron Assess')
- Thoan Pty Ltd ('Australian Management Academy' or 'AMA')
- Centre of Vocational Education Pty Ltd ('COVE')
- LOKA Enterprises Pty Ltd ('LOKA')
- International Training College Pty Ltd ('ITC')
- 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.

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

Directors' Report

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').

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 FY2015-2016.

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 lower value short course fee for service 'ticket' revenue from COVE the average certificate and diploma revenue yield per student is $3,757.

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.

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. This investment has been made ahead of the anticipated significant increase in the number of student enrolments being attracted by the Company. 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).

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 $24.1 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. The Group generated 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.

Since the start of the financial year the Company passed regulatory course audits from a range of statutory bodies including the HESG. 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 anticipating a return to business as usual. The Company is then focusing on remediating the CTT matter satisfactorily.

Dividends

On 25 August 2015, the Directors declared a fully franked final dividend of $10,887,341 (13c per share) to be paid on 23 September 2015 (2014: $Nil).

Events arising since the end of the reporting period

In July 2015 the Group received $68,048,000 of progress payments for VET FEE-HELP and Vocational courses. Of this, $30,377,000 related to the accrued revenue as at June 2015.

On 1 September 2015 the Company announced that it had entered into a conditional business asset purchase agreement to acquire 100% interest in the businesses of Smallprint and Catapult, which produce student learning resources and online study material (refer Note 33).

Subsequent to the end of the financial year, a subsidiary of the Group, Phoenix Institute of Australia Pty Ltd (Phoenix), received notification in respect to the VET Quality Framework from the Australian Skills Quality Authority (ASQA) requiring Phoenix to respond to non-compliance findings as a result of an audit undertaken by ASQA after the reporting date. Phoenix has responded, as required by ASQA, by providing evidence

Directors' Report

The Board which navigated the first year of ACN's listed operations. From left: Ivan Brown, Stephen Williams, Craig Chapman and Ray Griffiths.

of rectification of all matters. The Directors are confident that the response is appropriate and that Phoenix has fulfilled its obligations to operate under the Standards for Registered Training Organisations 2015. At the date of this report, ASQA has not yet provided a response as to their acceptance of the rectification evidence provided by Phoenix.

The Group continues to be subject to compliance related audits and other regulatory reviews, which is not uncommon for an education service provider the size of ACN. The Directors are confident these reviews do not significantly affect the Group's ongoing operations and results.

A review of student enrollment numbers in all open courses at year end was conducted in early September. This revealed that approximately 1,100 students withdrew from courses subsequent to the end of the financial year. Although ACN had a legal entitlement to pursue fees, ACN agreed to withdraw these students from the relevant courses and release them from their debt obligations even though they had crossed census date. In accordance with ACN's revenue recognition policy, which is based on a series of judgements and estimates around course enrollment numbers (refer Note 4), any alteration to revenue estimates are reflected in profit and loss in the period in which the circumstances giving rise to the revised estimates occur. If these conditions had existed as at 30 June 2015 the impact to the results would have been a reduction in profit before tax of \$2.4 million or \$1.7 million after tax in FY15. As these conditions were not present at 30 June 2015 the reduction will be recorded in FY16.

Likely developments, business strategies and prospects

The Group's strategy remains to expand geographically and diversify its revenue streams, targeting the provision of services across all elements of education, training and employment value chain. This will require:

- increasing market share in New South Wales, Queensland and Western Australia in the growing business sector of VET;
- focussed investment in quality course materials and infrastructure to ensure the delivery of education will provide positive outcomes for students; and
- maintaining a disciplined approach to the identification and evaluation of acquisition opportunities in associated business sectors.

Directors' Meetings

The number of Directors Meetings (including meetings of Committees of Directors) held during the year, and the number of meetings attended by each Director is as follows:

	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
Directors' name	A	B	A	B	A	B
Stephen Williams	14	14	5	5	2	2
Ivan Brown	14	14				
Craig Chapman	14	13	5	5	2	2
Ray Griffiths	14	12	5	5	2	2
Bruce Mackenzie	7	6				

- Column A is the number of meetings the Director was entitled to attend
- Column B is the number of meetings the Director attended

Options

During the year ended 30 June 2015, no options to acquire ordinary shares were granted and no shares were issued on the exercise of any shares. No further shares have been issued with respect to any options since year end.

Remuneration Report (audited)

The Directors of ACN present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The Remuneration Report is set out under the following main headings:

a. principles used to determine the nature and amount of remuneration;

b. details of remuneration;

c. service agreements;

d. share-based remuneration; and

e. bonuses included in remuneration

f. other information.

a. Principles used to determine the nature and amount of remuneration

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:

- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

ACN has a structured remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Nomination and Remuneration Committee which operates in accordance with its charter as approved by the Board and is responsible for determining and reviewing compensation arrangements for the Directors and other Key Management Personnel. The Committee engaged the services of independent remuneration consultants Egan Associates Pty Ltd during the current financial year as its remuneration adviser to provide any necessary information to assist in the discharge of its responsibilities.

In the financial year ended 2015 the Committee did not receive any remuneration recommendations, though was provided with information on market trends to assist the Committee in policy development, having regard to the proposed incentive programs for the future and other strategic advice to the Board.

The remuneration structure adopted by the Group and disclosed in its Prospectus at listing consists of the following components:

- fixed remuneration being annual salary; and
- short term incentives, being cash bonuses, where appropriate.

There was a Performance Rights Plan ('Plan') adopted under the Prospectus, however, during the financial year ended 30 June 2015 there were no Performance Rights issued under the Plan.

The Committee has assessed the appropriateness of the nature and amount of remuneration for the ensuing financial year 2016 assisted by its consultant Egan Associates Pty Ltd by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Key Management personnel and in relation to the application of both short and long term incentives. On the basis of that advice the remuneration for both Key Management Personnel and the Board have been reviewed for the Financial Year ending 30 June 2016 which will be effective 1 July 2015.

The payment of bonuses, the issue of Performance Rights under the Plan and other incentive payments under a Short Term Incentive Program and Long Term Incentive Program have been reviewed by the Committee and will be reviewed annually for Key Management Personnel. As a result recommendations have been put to the Board and approved. All bonuses, Performance Rights issues and any other incentives must be linked to pre-determined performance criteria.

Short Term Incentive (STI)

The STI program operates to reward Key Management Personnel and other employees.

ACN performance measures involve the use of annual performance objectives, metrics and performance appraisals.

The performance measures are and will be set annually after consultation with the Chief Executive Officer, and other Key Management Personnel and are specifically tailored for each employee.

Key Performance Indicators ('KPI's') for the Key Management Personnel and other employees are determined by the strategic goals and performance targets set for each individual business unit based on job descriptions of each employee.

The Board may under the STI program, at its discretion, award cash bonuses for exceptional performance in relation to each person's pre-agreed KPIs.

Long Term Incentive (LTI)

In addition to the STI program the Board intends to implement an LTI program in the 2016 financial year utilising the granting of Performance Rights under the Plan for Directors and Key Management Personnel in the Group which will be based on a combination performance conditions linked to financial performance of the Group aligned with shareholder return and specific KPI's for eligible employees. Performance Criteria under the LTI is as follows:

- **Financial** – Total shareholder return comprising dividends together with capital gain per share ('TSR') ; and
- **Non-financial** – KPIs comprising strategic goals and performance targets set for each individual Key Management Personnel for the respective business unit based on job descriptions.

The LTI grant of Performance Rights for Key Management Personnel and other eligible employees will be structured based on a percentage of the eligible employee's base remuneration determined by the individual responsibility of the employee. It will vest equally over 3 years up to 50% on exceeding the performance condition namely that the Company's TSR performance over the relevant performance period against the TSR performance over the same period of the group of comparator companies comprising the S&P/ASX 200 Consumer Discretionary Index as at the commencement of each performance period (Comparator Group). The remaining 50% vesting will be determined by the achievement of the specific KPI's.

Broadly, TSR measures the return received by shareholders from holding shares in a company over a particular period. TSR is the growth in share price over the relevant measurement period plus the value of dividends paid on the shares (and assumed to be reinvested on the ex-dividend date) during that period.

The LTI grant of Performance Rights for Non-Executive Directors will be structured based on 100% of the individual Directors fee and will vest equally over 3 years as to up to 100% on exceeding TSR performance condition referred to above. Any Performance Rights may not be exercised for 3 years from vesting and the resulting shares would be restricted with sale conditions. The grant over these Performance Rights to Directors is also conditional upon obtaining shareholder approval under LR 10.11 of the ASX Listing Rules.

The following table shows the percentage of Performance Rights in the TSR Tranche eligible for vesting in each performance period which will vest at various percentile outcomes measured against the TSR performance of the Comparator Group.

Percentile ranking of the Company's TSR at the end of each performance period	Percentage of Performance Rights which will vest
Below 50th percentile	Nil
Between 50th percentile and 75th percentile (inclusive)	50% plus 2% for every one percentile increase above the 50th percentile
Above 75th percentile	100%

The number of Performance Rights will be determined based on the volume weighted average price of the Group's shares over a 5 day period of trading on the ASX ('VWAP') up to and including the date of grant.

Use of Remuneration Consultants

Under the terms of the engagement, Egan Associates Pty Ltd provided remuneration recommendations as defined in section 9B of the Corporations Act 2001 and was paid $15,330 for these services.

Egan Associates Pty Ltd has confirmed that the above recommendations have been made free from undue influence by members of the group's Key Management Personnel.

Egan Associates Pty Ltd was engaged by, and reported directly to, the Chair of the Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Committee under delegated authority on behalf of the Board.

The report containing the remuneration recommendations was provided by Egan Associates Pty Ltd directly to the hair of the Committee.

Egan Associates Pty Ltd was permitted to speak to management throughout the engagement to understand Company processes, practices and other business issues and obtain management perspectives. However, Egan Associates Pty Ltd was not permitted to provide any advice or recommendations to members of management before advice or recommendations was given to members of the Committee and not unless Egan Associates Pty Ltd had approval to do so from members of the Committee.

As a consequence, the Board is satisfied that the recommendations were made free from undue influence from any members of the Key Management Personnel.

Consequences of performance on shareholder wealth

In framing bonuses and rewards for Key Management Personnel the Board has and will give due consideration to the Group's performance and benefits for shareholder wealth. In particular the Board will have regard to the following key measures, namely earnings per share (cents), dividend per share (cents), Net Profit After Tax and the ACN share price.

b. Details of remuneration

Details of the nature and amount of each element of the remuneration of each Key Management Personnel ('KMP') of ACN are shown in the table below:

Director and other Key Management Personnel Remuneration

		Short Term Employee Benefits			Post-Employment Benefits	Long-Term Benefits	Termination Benefits			Performance Based Percentage of Remuneration
Employee	Year	Cash Salary & Fees	Cash Bonus	Non-Monetary Benefits	Superannuation	Long Service Leave	Termination Payments	Share-Based Payments	Total	
Executive Director										
Ivan Brown[1]	2015	279,240	–	–	19,035	3,737	–	–	302,012	0%
Managing Director & CEO[2]	2014	3,085,703	–	–	–	–	–	–	3,085,703	0%
Non Executive Director										
Stephen Williams Independent[3]	2015	59,897	–	–	5,690	–	–	–	65,587	0%
Craig Chapman Independent[3,4]	2015	–	–	–	–	–	–	40,992	40,992	0%
Raymond Griffiths Independent[3]	2015	37,436	–	–	3,556	–	–	–	40,992	0%
Bruce Mackenzie Independent[3,5]	2015	18,750	–	–	1,781	–	–	–	20,531	0%
Key Management Employees										
David Green	2015	315,500	–	–	19,142	5,559	–	–	340,201	0%
CFO/Company Secretary[6]	2014	54,063	–	–	3,713	–	–		57,776	0%
Harry Kocchar	2015	168,083	–	25,000	14,668	3,585	–	–	211,356	0%
Chief Operating Officer[7]	2014	38,750	–	–	3,584	–	–	–	42,334	0%
Total	2015	878,096	–	25,000	63,892	12,881	–	40,992	1,021,671	
Total	2014	3,178,516	–	–	7,297	–	–	–	3,185,813	

Notes

1. Includes $30,726 of management fees + salary commencing 1 October 2014.
2. Represents management fees payable to the CEO prior to the formation of the ACN Group.
3. All directors were appointed to the Board of Australian Careers Network Limited on the 27th August 2014.
4. Mr Chapman has elected to receive his annual director fees by way of shares in ACN. The pro-rata allocation has been included in the remuneration report.
5. Mr Mackenzie resigned as a director on 19 January 2015.
6. The CFO was appointed on 21 April 2014.
7. The COO was appointed on 25 February 2014.

b. Details of remuneration (continued)

The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration	At risk – STI	At risk –Rights
Executive Directors			
Ivan Brown	328,500	Nil	Nil
Key Management Personnel			
David Green	300,438	Nil	Nil
Harry Kochhar	199,800	Nil	Nil

c. Service agreements

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Name	Base salary	Term of agreement	Notice period
Ivan Brown	500,000	3 years	6 months
David Green	275,000	3 years	6 months
Harry Kochhar	160,000	NA	3 months

d. Share-based remuneration

The Company has a Performance Rights Plan. The Rules of the Plan provide for limiting the economic risk of participation in the Plan.

The Company has adopted the Performance Rights Plan to, amongst others, attract, motivate and retain eligible participants; provide an incentive to participants to derive improvement in the Company's performance; and provide market competitive reward mechanisms.

No performance rights have been granted as at the date of this report. The performance rights will be granted under, and subject to, the rules of the Company's Performance Rights Plan. Each performance right entitles the participant to one ordinary share in the Company subject to the satisfaction of the performance and vesting conditions determined by the Board.

The Board has determined that the performance rights to be granted to participants will generally be subject to vesting conditions, including but not limited to: an employment service condition; achieving a Total Shareholder Return (TSR) which exceeds the Comparator Group to align participants with shareholders; any performance condition specific to the eligible employee or financial performance of the Company; and any other conditions as the Board may deem appropriate.

e. Bonuses included in remuneration

No bonuses were paid (payable) in respect of the 2015 financial reporting period.

f. Other information

Shares held by Key Management Personnel

The number of ordinary shares in the Company during the 2015 reporting period held by each of the Group's Key Management Personnel, including their related parties, is set out below:

Year ended 30 June 2015

Personnel	Balance at start of year	Granted as remuneration	Received on exercise	Other changes	Held at the end of reporting period
Ivan Brown[1]	–	–	–	23,297,574	23,297,574
David Green	–	–	–	–	–
Harry Kochhar	–	–	–	–	–
Total	–	–	–	23,297,574	23,297,574

Note 1: The shares in ACN were issued to Mr Brown as part of the group reconstruction wherein Mr Brown received shares in ACN in exchange for his shares in entities that were rolled-up into the ACN Group as part of that transaction. Please refer to Note 24.

Loans to Key Management Personnel

There were no loans made to any Key Management Personnel during the year and there were no outstanding loans to Key Management Personnel at year end.

End of audited Remuneration Report.

Environmental Legislation

ACN operations are not subject to any particular or significant regulation under law of the Commonwealth or of a State or Territory in Australia.

Indemnities given to, and insurance premiums paid for, auditors and officers

During the year, ACN paid a premium to insure officers of the Group. The officers of the Group covered by the insurance policy include all Directors.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else to cause detriment to the Group.

Details of the amount of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify any current or former officer or auditor of the Group against a liability incurred as such by an officer or auditor.

Non-audit services

During the year, Grant Thornton, the Company's auditors, performed certain other services in addition to their statutory audit duties.

The Board has considered the non-audit services provided during the year by the auditor and, in accordance with written advice provided by resolution of the Audit and Risk Committee, is satisfied that the provision of those non-audit services during the year is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit and Risk Committee to ensure they do not impact upon the impartiality and objectivity of the auditor; and
- the non-audit services do not undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards

Details of the amounts paid to the auditors of the Company, Grant Thornton, and its related practices for audit and non-audit services provided during the year are set out in Note 26 to the Financial Statements.

A copy of the Auditor's Independence Declaration as required under s307C of the *Corporations Act 2001* is included on page 66 of this financial report and forms part of this Directors' Report.

Proceedings of behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

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 Robert Brown
Director
Dated: 25 September, 2015

Corporate Governance Statement

The Board of Directors of ACN are responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and accountable and continually reviews its governance practices to ensure they remain consistent with the needs of the Company.

The Company complies with each of the ASX Corporate Governance Council's Principles and Recommendations (3rd edition 2014). This statement incorporates the disclosures required by the ASX Principles under the headings of the eight core principles as adopted by the Company. The complete ACN Corporate Governance Guide can be found on the Company's website at www.australiancareersnetwork.com.au.

Principle 1: Lay solid foundations for management and oversight

Recommendation 1.1: A listed entity should disclose:

(a) the respective roles and responsibilities of the Board and management; and

(b) those matters reserved to the Board and those delegated to management.

The Company has established the functions reserved to the Board and has set these functions out in its Board Charter. The Board is responsible for management's oversight and the Company's overall corporate governance including its corporate strategy, establishment of corporate and management goals and monitoring the achievement of those goals, risk management, internal control, codes of conduct and legal compliance.

The Board delegates day-to-day management responsibility to the Managing Director who is supported by the Audit and Risk Committee in monitoring risk management performance and controls. The Board ensures that both the Managing Director and the management team are appropriately qualified and experienced to discharge their responsibilities and maintains procedures to monitor their performance. The management team is responsible for supporting and assisting the Managing Director to conduct the operational and financial business of the Company in accordance with the delegated authority of the Board.

Recommendation 1.2: A listed entity should:

(a) undertake appropriate checks before appointing a person or putting forward to shareholders a candidate for election as a Director; and

(b) provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Nomination and Remuneration Committee reviews and makes recommendations to the Board regarding the appointment of new Directors. In nominating candidates, the Committee considers the candidates strategic and financial acumen, diversity, experience with businesses of comparable size and related industries, the interplay of the candidate's skills, experience and expertise with that of other Board members, the extent to which the candidate would be a desirable addition to the Board and any Committees of the Board and potential conflicts of interest and independence.

In the appointment of Directors, the Committee seeks advice from independent sources and engages independent professional search firms where necessary to source suitable candidates possessing the appropriate range of skills, expertise and competencies. Appropriate checks are undertaken in relation to such positions, including checks as to a candidate's character, expertise, education, criminal record and bankruptcy history.

Directors other than the Managing Director are subject to re-election in accordance with ACN's constitution and the ASX Listing Rules. Details of Directors being re-elected or elected are set out in the explanatory notes to the Notice of Annual General Meeting.

Recommendation 1.3: A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

A written agreement is in place between ACN and each Director and senior executive setting out the terms of their appointment.

Recommendation 1.4: The Company Secretary should be accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

The Company Secretary is accountable to the Company's Board through the Chair, ensuring the Company's Board receives adequate support to function properly.

Recommendation 1.5: A listed entity should:

(a) have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;

(b) disclose that policy or a summary of it; and

(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them and either:

  (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or

  (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

ACN recognises that a talented and diverse workforce is a key competitive advantage and that an important contributor to the Company's success is the quality, diversity and skills of its people. The Company strives to create a work environment that is inclusive; acknowledges and values its employees' unique capabilities, experiences and characteristics. A copy of the Company's Diversity Policy is available on the Company's website at www.australiancareersnetwork.com.au. This Diversity Policy outlines the requirements for the Board to develop measurable objectives for achieving diversity, and annually assess both the objectives and the progress in achieving those objectives. Measurable objectives stated within the ACN Diversity Policy are to 'improve, year on year, ACN's diversity statistics as measured across all levels of the Company'. Currently gender diversity is measured in line with Workplace Gender Equity Agency (WGEA) requirements to ensure ACN is competitive and attractive as an Employer of Choice for Women. The Company's progress with gender balance is illustrated below.

ACN Directors & Staff Composition at June 30, 2015

	Directors	Leadership Team	Total FTE's
Male	4	13	218
Female	0	15	278
Total	4	28	546
% Female	0%	54%	51%

The company recently appointed its first female Director on August 27, 2015.

Recommendation 1.6: A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

In the first year of the Company's operation, the Board as a whole had the responsibility to review its own performance, the performance of individual Directors and the performance of the Board Committees. The Chair of the Board also met individually with each Board member to discuss their performance. Non-executive Directors also met to discuss the performance of the Chair and the Managing Director.

It is intended to establish an annual survey to cover all areas of the Board and its Committees performance in late 2015, after which the completed report will be reviewed by the entire Board in early 2016.

Recommendation 1.7: A listed entity should:

(a) have and disclose a process for periodically evaluating the performance of its senior executives; and

(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

A formal performance evaluation of the Managing Director and senior executives occurs annually. In addition, mutually agreed upon annual performance targets are set for senior and mid managers. Performance against these targets are monitored and assessed regularly.

Principle 2: Structure the Board to add value

Recommendation 2.1: The Board of a listed entity should:

(a) have a Nomination Committee which:

  (1) has at least three members, a majority of whom are independent Directors; and

  (2) is chaired by an independent Director,

  and disclose:

  (3) the charter of the committee;

  (4) the members of the committee; and

  (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a Nomination Committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Company has a Nomination and Remuneration Committee to oversee the process of appointment and remuneration of the Non-executive Directors, Managing Director, Company Secretary, Chief Financial Officer and other senior executives of the Company. The Nomination and Remuneration Committee is chaired by Mr. Raymond Griffiths, an independent Director. The Committee has two other permanent independent Director members being Mr. Stephen Williams and Mr. Craig Chapman. The number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings are set out in the Directors' Report on page 19.

The Nomination and Remuneration Committee's Charter is contained within the ACN Corporate Governance Guide which is available on the Company's website at www.australiancareersnetwork.com.au. The Committee meets at least twice annually.

Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the annual report is included on pages 10 and 11. The Nomination Committee is responsible for ensuring that the Board is of an appropriate size and that its members possess the required mix of skills and competence to fulfil the duties imposed by the Corporations Act and other relevant laws and regulations.

Recommendations 2.3: A listed entity should disclose:

(a) the names of the Directors considered by the Board to be independent Directors;

(b) if a Director has an interest, position, association or relationship but the Board is of the opinion that it does not compromise the independence of the Director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion; and

(c) the length of service of each Director.

The Board aims to have a majority of Non-executive Directors who satisfy the following criteria for independence on the basis of:

- No material relationship
- Not a recent former employee in an executive capacity
- Not a recent auditor or provider of material services to the Company or otherwise associated
- Not having a material business or contractual relationship (e.g. being a supplier or customer)
- Not associated with executive management via family
- Not a substantial shareholder of the Company
- Not appointed as a Director for such a period that independence may be compromised.

The Directors considered by the Board to be independent are Mr. Stephen Williams, Mr. Craig Chapman, Mr. Raymond Griffiths and Ms Samantha Martin-Williams. During the 2014/2015 year, none of the independent Non-executive Directors had any interest or relationship that could, or could reasonably be perceived to materially interfere with the independent exercise of their judgement as Directors. Mr. Ivan Brown is the only Director who is not independent, by virtue of his executive management duties and Company shareholding. The terms in office of each Director is set out on page 16.

Recommendation 2.4: A majority of the Board of a listed entity should be independent Directors.

Refer to recommendation 2.3 above.

Recommendation 2.5: The Chair of the Board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

The Chairman, Mr. Stephen Williams is an independent Non-executive Director. The roles of Chairman and Chief Executive Officer are performed by separate individuals.

Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

Each new Director is provided with a letter of appointment detailing the key terms of their role, and provided with ACN's Company and Board policies and other relevant documents. All new Directors participate in a formal induction program covering ACN's strategic, financial and operational activities. This includes comprehensive briefings with the Chairman, Managing Director and senior executives. Professional development opportunities are considered on a case by case basis as required to maintain and enhance each Director's skills and knowledge to effectively perform their roles as Directors.

Principle 3: Act ethically and responsibly

Recommendation 3.1: A listed entity should:

(a) have a code of conduct for its Directors, senior executives and employees; and

(b) disclose that code or a summary of it.

The Company recognises the importance of establishing and maintaining high ethical standards and exercising diligence in conducting its business and is committed to increasing shareholder value in conjunction with fulfilling its responsibilities as a good corporate citizen. ACN has a Code of Conduct for Directors, executives, management and staff, based on high standards of adherence to the principles of honesty, integrity, compliance and confidentiality, which is available on the Company's website at www.australiancareersnetwork.com.au. Unethical practices including fraud, legal and regulatory breaches, corporate policy breaches and activities that may impact poorly on ACN is obliged to notify the relevant executive so action can be taken to minimise the impact.

Principle 4: Safeguard Integrity in corporate reporting

Recommendation 4.1: The Board of a listed entity should:

(a) have an audit committee which:

   (1) has at least three members, all of whom are non-executive Directors and a majority of whom are independent Directors; and

   (2) is chaired by an independent Director, who is not the Chair of the Board,

   and disclose:

   (3) the charter of the committee;

   (4) the relevant qualifications and experience of the members of the committee; and

   (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting,

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including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Company has an Audit and Risk Committee to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems, external audit functions and legal and regulatory compliance.

The Committee is chaired by Mr. Craig Chapman, an independent Director who is not the Chair of the Board. The Committee has two other permanent independent director members being Mr. Stephen Williams and Mr. Raymond Griffiths. A full time Audit & Risk Officer has recently been hired to lead the corporate audit and risk management function, reporting directly to the Chair of the Committee. Information relating to the qualifications and experience of the Audit & Risk Committee members is set out on pages 10 and 11. The number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings are set out in the Directors' Report on page 19.

The Audit and Risk Committee's Charter is contained within the ACN Corporate Governance Guide which is available on the Company's website at www.australiancareersnetwork.com.au

Recommendation 4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In accordance with Recommendation 4.2 and section 295A of the Corporations Act 2001, the CEO and CFO provide the Board with a signed declaration prior to the approval of the Company's financial statements.

Recommendation 4.3: A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

The Company's external auditor attends the Company's AGM and is available to answer questions from shareholders relevant to the audit.

Principle 5: Make timely and balanced disclosure

Recommendation 5.1: A listed entity should:

(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and

(b) disclose that policy or a summary of it.

ACN has a Continuous Disclosure Policy and supporting procedures which govern the manner in which the Company communicates with its shareholders and the market in compliance with its regulatory obligations. The policies and procedures establish an internal notification and decision making process, roles and responsibilities in identifying, approving, and releasing disclosable information, the process for timely disclosure, compliance, and treatment of market briefings. This policy is contained within the ACN website at www.australiancareersnetwork.com.au.

ACN is committed to giving investors timely access to understandable and relevant information. Announcements may be reviewed by an external professional consultant for clear and balanced communication within the bounds of continuous disclosure requirements set out in the ASX Listing Rules and Corporations Act 2001 (Cth). ACN also publishes all material releases that it makes to the ASX Company Announcements Platform on its website.

Principle 6: Respect the rights of security holders

Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

In accordance with the ASX continuous disclosure requirements, all shareholders are informed of company developments through regular shareholder communications such as the Annual Report, Half Yearly Report, investor presentations, organisational changes, senior appointments, ASX disclosures, Notice of Meetings, etc. All ASX announcements are available to shareholders on the Company's website as well.

Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

ACN conducts investor relations roadshows at least twice a year, particularly following the release of the annual and half year financial results to provide shareholders with the opportunity to meet and ask questions of ACN's management team.

Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

ACN's Shareholder Communication Policy, which can be found on the Company's website at www.australiancareersnetwork.com.au, addresses security holder attendance at Shareholder Meetings.

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Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

ACN's securities registrar, Link Market Services, facilitates the provision of communications between ACN and its shareholders electronically. Shareholders can elect to receive ACN's documents, notices of meetings, annual reports, distribution advices and other correspondence by electronic means. Shareholders can also lodge their proxies electronically.

Principle 7 Recognise and manage risk

Recommendation 7.1: The Board of a listed entity should:

(a) have a committee or committees to oversee risk, each of which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent Director,

and disclose:

(3) the charter of the committee;

(4) the members of the committee; and

(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Company has an Audit and Risk Committee to provide assistance to the Board in fulfilling its corporate governance and oversight responsibilities in relation to the Company's financial reporting, internal control structure, risk management systems, external audit functions and legal and regulatory compliance.

The Committee is chaired by Mr. Craig Chapman, an independent Director who is not the Chair of the Board. The Committee has two other permanent independent director members being Mr. Stephen Williams and Mr. Raymond Griffiths. A full time Internal Auditor has been appointed to lead the corporate audit & risk management function, reporting directly to the Chair of the Committee. Information relating to the qualifications and experience of the Audit & Risk Committee members is set out on pages 10 and 11. The number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings are set out in the Directors' Report on page 19.

The Audit and Risk Committee's Charter is contained within the ACN Corporate Governance Guide which is available on the Company's website at www.australiancareersnetwork.com.au/corporate-governance.

Recommendation 7.2: The Board or a committee of the Board should:

(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and

(b) disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Management Committee reviewed the Company's risk management framework in the last financial year. The Company has recently appointed an Internal Auditor who will take responsibility for reviewing the risk management framework on an ongoing basis, reporting directly to the Chair of the Audit & Risk Committee

The Board has also formed a Quality Oversight Committee to assist in the management and oversight of providing quality training and outcomes in all of its courses for students.

Recommendation 7.3: A listed entity should disclose:

(a) if it has an internal audit function, how the function is structured and what role it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

During the year ended 30 June, 2015, the Company did not have an internal audit function. As noted at Recommendation 7.1, the Audit and Risk Committee was responsible for overseeing the establishment and implementation of effective risk management and internal control systems to manage the Company's business risks. The Company employed an Internal Auditor who will take on the responsibility of managing the Company's business risks going forward and report directly to the Audit and Risk Committee.

Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

A significant portion of the Company's revenue is derived from Government funding sources, including grant or subsidy programs. There is a risk that these funding programs may cease, be reduced in size or reallocated in such a way as to limit private training provider access to funding generally, or to limit the Company's access to funding specifically. Further, stringent regulatory and compliance protocols must be met in order to retain funding contracts and there is no guarantee that the Company will continue to meet all of its obligations under these requirements. There is also no guarantee that these requirements will not be altered to the extent that the Company becomes unable to meet them by definition. Should any of the above occur, this could have a significant negative effect on the Company's revenues and profits. Through its partnerships with Government TAFE Institutes, the Company mitigates the risk of loss of funding as Government TAFE Institutes are considered approved community service providers by State Governments.

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In addition, the Company is aiming to reduce its reliance on government funded training, by diversifying its revenue streams, targeting the provision of services across all elements of educational training value chain.

The Company does not have any material exposure to environmental or social sustainability risks. The operational dynamics of the Company, together with how these risks are managed, are outlined in the Managing Director's Review.

Principle 8 Remunerate fairly and responsibly

Recommendation 8.1: The Board of a listed entity should:

(a) have a remuneration committee which:

  (1) has at least three members, a majority of whom are independent Directors; and

  (2) is chaired by an independent Director,

  and disclose:

  (3) the charter of the committee;

  (4) the members of the committee; and

  (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company has a Nomination and Remuneration Committee to oversee the process of appointment and remuneration of the Non-executive Directors, Managing Director, Company Secretary, Chief Financial Officer and other senior executives of the Company. The Nomination and Remuneration Committee is chaired by Mr. Raymond Griffiths, an independent Director. The Committee has two other permanent independent Director members being Mr. Stephen Williams and Mr. Craig Chapman. The number of times the Committee met throughout the reporting period and the attendance of the Committee's members at those meetings are set out in the Directors' Report on page 19.

The Nomination and Remuneration Committee's Charter is contained within the ACN Corporate Governance Guide which is available on the Company's website at www.australiancareersnetwork.com.au/corporate-governance. The Committee meets at least twice annually.

Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of Non-executive Directors and the remuneration of Executive Directors and other senior executives.

The Company's policies and practices regarding the remuneration of executive and Non-executive Directors and other senior executives are disclosed in the Company's Annual Report.

Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:

(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and

(b) disclose that policy or a summary of it.

The Company did not have an equity based remuneration scheme in place applicable for the 2015 financial year, however is implementing one for the 2016 financial year and is subject to shareholder approval at the AGM. A detailed policy will be developed and disclosed in the Company's Annual Report for the year ending 30 June 2016.

Consolidated Statement of Profit or Loss and Other Comprehensive Income *for the year ended 30 June 2015*

	Notes	30 June 2015 $'000	30 June 2014 $'000
Revenue	6	**83,951**	17,384
Other income	6	**1,208**	–
External training costs		**(28,948)**	(4,078)
Employee benefits expense		**(13,212)**	(3,001)
Other administrative expenses	7	**(7,527)**	(1,492)
Marketing expense		**(3,699)**	(596)
Amortisation and depreciation	7	**(3,747)**	(86)
Acquisition and due diligence costs relating to company restructure	7	**(2,623)**	–
Management fees	25	**(80)**	(6,171)
Share of net loss from joint venture accounted for using the equity method	15	**(43)**	–
Finance costs	8	**(42)**	–
Profit before income tax		**25,238**	1,960
Income tax expense	9	**(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

	Notes	30 June 2015 cents	30 June 2014 cents
Earnings per share			
Basic earnings per share	10	**23.61**	2.84
Diluted earnings per share	10	**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	30 June 2015 $'000	30 June 2014 $'000
Assets			
Current			
Cash and cash equivalents	23	**6,234**	2,809
Trade and other receivables	11	**36,133**	5,631
Prepayments		**2,764**	225
Income tax receivable		**–**	25
Total current assets		**45,131**	8,690
Non-current			
Property, plant and equipment	12	**4,600**	208
Goodwill	13	**28,946**	–
Other intangible assets	14	**10,372**	382
Investment accounted for using the equity method	15	**123**	–
Deferred tax assets	16	**3,101**	359
Total non-current assets		**47,142**	949
Total assets		**92,273**	9,639
Liabilities			
Current			
Trade and other payables	17	**8,171**	6,259
Borrowings	18	**190**	–
Current tax payable		**8,917**	–
Provisions	19	**1,440**	92
Total current liabilities		**18,718**	6,351
Non-current			
Trade and other payables	17	**810**	–
Borrowings	18	**630**	–
Provisions	19	**754**	–
Deferred tax liabilities	16	**4,654**	1,117
Total non-current liabilities		**6,848**	1,117
Total liabilities		**25,566**	7,468
Net assets		**66,707**	2,171
Equity			
Share capital	20	**125,131**	–
Share option reserve	21	**751**	–
Reserves	21	**(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

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	30 June 2015 $'000	30 June 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	7	**(2,623)**	–
Income tax paid		**(1,078)**	(151)
Interest paid		**(42)**	–
Net cash (used in) / from operating activities	23	**(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)
Company restructure expenditure, net of cash acquired	24(a)	**825**	–
Investment in joint venture		**(166)**	–
Acquisition of subsidiaries, net of cash acquired	24	**(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 year		**2,809**	441
Cash and cash equivalents, end of year		**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.

Notes to the 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, diplomas and Higher education degrees.

The Group also partners with job seeking agencies and labour hire companies 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 scrip for scrip 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 24(a).

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ('IFRS') as issued by the International Accounting Standards Board (IASB). The Group is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements for the year ended 30 June 2015 were approved and authorised for issue by the Board of Directors on 17 September 2015.

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.

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)

3. Significant accounting policies (continued)

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.

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 13 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.

Notes to the Financial Statements

3. 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.

Goodwill has been allocated to 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

3. Significant accounting policies (continued)

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 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.

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.

Notes to the Financial Statements

3. 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
- Capital reorganisation reserve – 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.

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

Notes to the Financial Statements

3. Significant accounting policies (continued)

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.

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 (refer 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.

Training, tuition and service revenue

Revenue is recognised by reference to the stage of completion with respect to the provision of education and training services. This is applied by recognising revenue on a straight line basis over the period the courses are expected to be delivered and allowing for the attrition of students over the course duration.

Labour hire

Revenue from the provision of labour hire services is recognised on the basis of work performed on service contracts.

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.

3.17 Accounting standards issued but not yet effective and not adopted early by the Group

The following standards, amendments to standards and interpretations are available for early adoption but have not been applied in preparing this financial report:

- AASB 9 Financial Instruments (December 2014), effective for annual reporting periods beginning on or after 1 January 2018. AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.
- AASB 15 Revenue from Contracts with Customers, effective for annual reporting periods beginning on or after 1 January 2017. AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations.

  AASB 15 establishes a new revenue recognition model; changes the basis for deciding whether revenue is to be recognised over time or at a point in time; provides new and more detailed guidance on specific topics; expands and improves disclosures about revenue. When this Standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements. The Group's current accounting policy is to recognise revenue from education and training under the stage or percentage of completion method by recognising revenue on a straight line basis over the period the course is expected to be delivered (refer Note 4).
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations, effective for annual reporting periods beginning on or after 1 January 2016. The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business', as defined in AASB 3 Business Combinations, should apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation, effective for annual reporting periods beginning on or after 1 January 2016. The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements, effective for annual reporting periods beginning on or after 1 January 2016.

Notes to the Financial Statements

3. Significant accounting policies (continued)

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101, effective for annual reporting periods beginning on or after 1 January 2016. The amendments clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information; and clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order. When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality, effective for annual reporting periods beginning on or after 1 July 2015. When this Standard is first adopted for the year ending 30 June 2016, there will be no impact on the financial statements.

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

Revenue is recognised by reference to the stage of completion of the provision of education and training services. This is applied by recognising revenue on a straight line basis over the period the courses are 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.

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

Notes to the Financial Statements

4. Significant management judgement in applying accounting policies (continued)

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 24(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 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. Revenue & Other income

	30 June 2015 $'000	30 June 2014 $'000
Sales Revenue		
Training, tuition and service revenue	**83,951**	17,384
Other income		
Consulting and labour hire services	**1,203**	–
Profit on sale of plant and equipment	**5**	–
Total other income	**1,208**	–
Total revenue & other income	**85,159**	17,384

7. Income statement disclosures

	30 June 2015 $'000	30 June 2014 $'000
Expenses before interest and income taxes include:		
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
Impairment – bad and doubtful debts – trade debtors	**250**	–
Impairment of financial asset	**62**	61
Share – based payments expense	**50**	–
Minimum lease payments – operating leases	**1,521**	116
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**	–

8. Finance costs

Finance costs for the year consist of the following:

	30 June 2015 $'000	30 June 2014 $'000
Interest expense for finance lease arrangements	**38**	–
Interest expense for short term credit facilities	**4**	–
	42	–

Notes to the Financial Statements

9. Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of 30% (2014: 30%) and the reported tax expense in profit or loss are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Profit before tax	**25,238**	1,960
Prima facie income tax expense calculated at 30%	**7,571**	588
Adjustment for non-deductible expenses:		
Business acquisition costs	**81**	–
Impairment of financial asset	**18**	–
Share of loss from joint venture accounted for using the equity method	**18**	–
Other non-deductible expenses	**84**	–
Amounts under provided in prior years	**189**	–
Income tax expense	**7,961**	588
Tax expense comprises:		
Current tax expense	**9,361**	96
Deferred tax expense/(benefit):	**(1,589)**	492
Amount under provided in prior years	**189**	–
Income tax expense	**7,961**	588

Note 16 provides information on deferred tax assets and liabilities.

10. Earnings per share

	30 June 2015 cents	30 June 2014 cents
Earnings per share (EPS)		
Basic earnings per share	**23.61**	2.84
Diluted earnings per share	**23.61**	2.84

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.

Net profit used in the calculation of basic and diluted EPS

	30 June 2015 $'000	30 June 2014 $'000
Net profit used in the calculation of basic EPS	**17,277**	1,372
Net profit used in the calculation of diluted EPS	**17,277**	1,372

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*

10. Earnings per share (continued)

Reconciliation of weighted average number of shares used in the calculation of basic and diluted EPS

	Year ended 30 June 2015 No.	Year ended 30 June 2014 No.
Shares on issue as at 01 July	**48,332,836***	100
Add: weighted average effect of shares issued	**24,839,556**	48,332,736
Weighted average number of shares used in calculation of basic and 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.

11. Trade & Other Receivables

Trade and other receivables consist of the following:

	30 June 2015 $'000	30 June 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 33: 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:

	30 June 2015 $'000	30 June 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:

	30 June 2015 $'000	30 June 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**	–

Notes to the Financial Statements

11. Trade & Other Receivables (continued)

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:

	30 June 2015 $'000	30 June 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.

12. Plant and equipment

Details of Group's plant and equipment and their carrying amounts are as follows:

	30 June 2015 $'000	30 June 2014 $'000
Plant and equipment at cost	**4,366**	171
Accumulated depreciation	**(810)**	(20)
	3,556	151
Furniture and fixtures	**1,229**	64
Accumulated depreciation	**(185)**	(7)
	1,044	57
Total non-current plant and equipment	**4,600**	208

The carrying amounts of plant and equipment pledged as security for current and non-current hire purchase loans are $1,275,000 (2014: $nil).

12. Plant and equipment (continued)

Reconciliations:

Reconciliations of the carrying amount of each class of plant and equipment at the beginning and end of the current financial year are set out below:

Consolidated	Note	Plant and Equipment $'000	Furniture and Fixtures $'000	Total $'000
Carrying amount at 30 June 2013		36	13	49
Additions, separately acquired		129	50	179
Depreciation	7	(14)	(6)	(20)
Carrying amount at 30 June 2014		**151**	**57**	**208**
Additions, separately acquired		773	1,044	1,817
Acquired through business combinations	24	3,422	120	3,542
Depreciation	7	(790)	(177)	(967)
Carrying amount at 30 June 2015		**3,556**	**1,044**	**4,600**

13. 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	24(a)	22,886
TEA and TS	24(b)	3,885
Phoenix	24(c)	1,546
Wizard Corporate Training	24(d)	629
Impairment losses recognised		–
Carrying amount at 30 June 2015		**28,946**

The Group operates in one segment and goodwill is allocated to 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 on which management has based its cash flow projections 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).

14. Other intangible assets

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

	30 June 2015 $'000	30 June 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

Reconciliations:

Reconciliations of the carrying amount of each class of intangible asset at the beginning and end of the current financial year 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	7	–	–	(66)	(66)
Carrying amount at 30 June 2014		**–**	**–**	**382**	**382**
Additions, separately acquired		–	–	719	719
Acquired through business combinations	24	1,300	8,354	2,397	12,051
Amortisation	7	–	(1,986)	(794)	(2,780)
Carrying amount at 30 June 2015		**1,300**	**6,368**	**2,704**	**10,372**

15. Investment in joint venture

	30 June 2015 $'000	30 June 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:

	30 June 2015 $'000	30 June 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.

Notes to the Financial Statements

16. Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities arising from temporary differences are as follows:

2015	Balance 01/07/2014 $'000	Recognised in profit & loss $'000	Recognised in equity $'000	Business combination $'000	Balance 30/06/2015 $'000
Trade and other receivables	(1,117)	207	–	(947)	(1,857)
Trade, accruals and provisions	331	128	–	617	1,076
Provision for employee benefits	28	385	–	62	475
Other deferred tax assets	–	366	–	–	366
Equity raising costs capitalised in equity	–	–	1,109	–	1,109
Intangibles	–	503	–	(3,225)	(2,722)
Net deferred tax liabilities	**(758)**	**1,589**	**1,109**	**(3,493)**	**(1,553)**
Deferred tax assets	359	854	1,109	779	3,101
Deferred tax liabilities	(1,117)	735	–	(4,272)	(4,654)
Net deferred tax liabilities	**(758)**	**1,589**	**1,109**	**(3,493)**	**(1,553)**

2014	Balance 01/07/2013 $'000	Recognised in profit & loss $'000	Balance 30/06/2014 $'000
Trade and other receivables	(270)	(847)	(1,117)
Trade and other accruals	–	331	331
Provision for employee benefits	4	24	28
Net deferred tax liabilities	**(266)**	**(492)**	**(758)**
Deferred tax assets	4	355	359
Deferred tax liabilities	(270)	(847)	(1,117)
Net deferred tax liabilities	**(266)**	**(492)**	**(758)**

17. Trade and other payables

Trade and other payables consist of the following:

Trade and Other Payables	Note	30 June 2015 $'000	30 June 2014 $'000
Current			
Trade payables		**1,181**	1,103
Other payables and accruals		**6,180**	1,251
Deferred revenue		**571**	–
Contingent consideration	24(a)	**239**	–
Related party payables		**–**	3,905
Total current trade and other payables		**8,171**	6,259
Non-current			
Contingent consideration	24(a)	**810**	–
Total non-current trade and other payables		**810**	–
Total trade and other payables		**8,981**	6,259

Notes to the Financial Statements

18. Borrowings

	30 June 2015 $'000	30 June 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**	–

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:

	30 June 2015 $'000	30 June 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**	–

19. Provisions

	30 June 2015 $'000	30 June 2014 $'000
Current		
Employee provisions	**1,385**	92
Lease make good provision	**55**	–
Total current provisions	**1,440**	92
Non-current		
Employee provisions	**174**	–
Lease make good provision	**328**	–
Other	**252**	–
Total non-current provisions	**754**	–
Total provisions	**2,194**	92

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Notes to the Financial Statements

20. 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.

Unissued shares under option

Unissued ordinary shares of ACN under option at the date of this report are:

Date options granted	Expiry date	Exercise price of shares ($)	Number under option
11 December 2014	31 October 2017	4.20	1,500,000
Total under option	31 October 2017	4.20	1,500,000

All options expire on their expiry date. These options were issued in relation to the equity raising in 2014.

21. Reserves

	Capital reorganisation reserve $'000	Share option reserve $'000	Total $'000
Balance at 1 July 2014	–	–	–
Fair value of options issued for capital raising	–	751	751
Shares issued as settlement for purchase of founding and ancillary businesses	(77,332)	–	(77,332)
Capital reconstruction expenses	(1,291)	–	(1,291)
Balance at 30 June 2015	**(78,623)**	**751**	**(77,872)**

Other components of equity include the following:

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

Notes to the Financial Statements

22. 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.

The above final dividend declared after 30 June 2015 will be franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2016.

	30 June 2015 $'000	30 June 2014 $'000
Consolidated		
Franking credits available for subsequent reporting periods based on a tax rate of 30% (2014: 30%)	**10,890**	135

The above amounts are calculated from the balance of the franking account as at the end of the reporting period, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax. The consolidated amounts include franking credits that would be available to the Parent entity if distributable profits of subsidiaries were paid as dividends.

23. Notes to the statement of cash flows

	30 June 2015 $'000	30 June 2014 $'000
(a) Reconciliation of cash and cash equivalents		
Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash and cash equivalents	**6,234**	2,809
(b) Reconciliation of profit for the year to net cash flows from operating activities		
Profit from ordinary activities after income tax	**17,277**	1,372
Impairment of financial assets	**62**	61
Depreciation expense	**967**	20
Amortisation expense	**2,780**	66
Share-based payments expense	**50**	–
Net changes in working capital:		
Increase in deferred and current income taxes payable	**6,778**	791
Increase in trade, other debtors and prepayments	**(33,015)**	(3,595)
Increase in trade, other creditors, employee entitlements and other provisions	**3,531**	1,914
Net cash (used in)/from operating activities	**(1,570)**	629

Notes to the Financial Statements

24. Business combinations

(a) Corporate reorganisation

As disclosed in the ACN prospectus the ACN group was formed on 30 September 2014, through ACN acquiring 100% of five (5) related Companies in a scrip-for-scrip 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, Thoan Pty Ltd, Centre of Vocational Education Pty Ltd, LOKA Enterprises Pty Ltd, International Training College Pty Ltd and Health Education and Recruitment Services Pty Ltd.

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
Current tax payable	1,650
Trade and other payables	1,834
Total current liabilities	4,003
Borrowings	852
Other non-current liabilities	810
Deferred tax liabilities	4,078
Total non-current liabilities	5,740
Identifiable net assets	10,705
Goodwill on acquisition	22,886
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)

24. Business combinations (continued)

Goodwill of $22,886,000 is primarily related to the market share of the acquired entities and their strategies which underpin targeted initiatives to grow via the expanded range of courses offered by the acquired RTOs within the market. It also includes the expected cost synergies from consolidating back office functions and implementing information technology solutions across the acquired entities.

The Group operates as one operating segment (refer Note 5) and goodwill has been 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 scrip-for-scrip 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.

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, Thoan Pty Ltd, Centre of Vocational Education Pty Ltd, LOKA Enterprises Pty Ltd, International Training College Pty Ltd and Health Education and Recruitment Services Pty Ltd. Consideration with a fair value of $30,924,000 was paid to acquire 100% of these entities.

The fair value of total consideration paid to acquire 100% of the twelve (12) entities was $110,923,000. $77,332,000 was recognised within the Capital Reorganisation Reserve (refer Note 21) and $33,591,000 was recognised as an investment in subsidiaries. The investment in subsidiaries of $33,591,000 is eliminated in the consolidated accounts, resulting in $10,705,000 of identifiable net assets and $22,886,000 of goodwill.

Acquisition-related costs amounting to $1,051,000 are not included as part of consideration transferred and have been recognised as business acquisition costs in the 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.

Notes to the Financial Statements

24. 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 in the following table:

	$'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
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 business acquisition costs in the 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.

iii. Goodwill

Goodwill of $3,885,00 is primarily related to the Group's growth expectations through interstate expansion into New South Wales where TEA and TS operate.

The Group operates as one operating segment (refer Note 5) and goodwill has been allocated to a single 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.

24. Business combinations (continued)

(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

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 a business acquisition cost in the 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

Goodwill of $1,546,000 is related to the Group's growth expectations from entering into the higher education sector through Phoenix's course offerings. The Group operates as one operating segment (refer Note 5) and goodwill has been allocated to a single cash generating unit as at 30 June 2015.

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.

24. 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 business acquisition costs in the profit or loss and in operating cash flows in the statement of cash flows.

ii. Goodwill

Goodwill of $629,000 is primarily related to the Group's growth and future profitability expectations by expanding into fee for service IT training for a client base consisting of corporates and government departments. The Group operates as one operating segment (refer Note 5) and goodwill has been allocated to a single cash generating unit at 30 June 2015.

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.

25. Related party transactions

The Group's related parties include its joint venture and key management personnel. None of the transactions with related parties incorporated any special terms and conditions; and no guarantees were given or received.

25.1 Transactions with joint venture

There were no purchases or sales between the Group and joint venture in the 2015 financial year (2014: Nil).

25.2 Transactions with Key Management Personnel

Key management of the Group are ACN's Board of Directors, Executive Director and key employees. Key Management Personnel remuneration includes the following expenses:

	30 June 2015 $	30 June 2014 $
Short term employee benefits	**903,906**	3,178,516
Post-employment benefits	**63,892**	7,297
Long-term benefits	**12,881**	–
Termination benefits	**–**	–
Share-based payments	**40,992**	–
Total remuneration	**1,021,671**	3,185,813

During the year ended 30 June 2015, no options to acquire ordinary shares were granted to KMPs and no shares were issued on the exercise of any shares. No further shares have been issued with respect to any options since year end.

25.3 Management fees

Prior to the formation of the ACN Group on 30 September 2014, CTI incurred management fees which were payable to the CTI founders and their related entities. Management fees of $80,000 were incurred and paid for the financial year ending 30 June 2015 (2014: $6,171,000)

26. Auditors remuneration

	30 June 2015 $	30 June 2014 $
Audit and review of financial statements		
Audit and review of financial statements by Grant Thornton, Australia	**211,500**	207,000
Other services		
Taxation services	**293,000**	29,000
Due diligence services related to IPO and acquisitions	**481,000**	349,000
Total other service remuneration	**774,000**	378,000
Total remuneration	**985,500**	585,000

The due diligence services related to IPO and acquisitions were undertaken by Grant Thornton to provide ACN with advice on accounting and taxation in connection with the establishment of ACN as a newly listed company and acquisition due diligence. The Directors have taken appropriate steps to ensure that the provision of non-audit service does not compromise the independence of the auditors.

27. Contingent liabilities

Various legal claims were brought against the Group during the year. Management considers these claims to be unjustified and the probability that they will require settlement at the Group's expense to be remote. This evaluation is consistent with external independent legal advice. Further information on these contingencies is omitted so as not to seriously prejudice the Group's position in the related disputes.

As noted in the Directors' Report and Note 33, the Group is currently undergoing a series of regulatory compliance audits, which is common for the industry. The Directors consider that any further costs in relation to these audits will not be significant, and given the current status of the regulatory compliance audits are unable to determine whether there may be any liability to the Group as a result of any findings which may be determined as a result.

28. Commitments

(a) Capital commitments

The Group had no capital commitments as at 30 June 2015 and 30 June 2014.

(b) Non-cancellable operating leases

The Group leases various offices and training facilities under non-cancellable operating leases expiring between 1 to 5 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

	Minimum lease payments due			
	Within 1 year $'000	1-5 years $'000	After 5 years $'000	Total $'000
30 June 2015	2,467	5,201	–	7,668
30 June 2014	62	–	–	62

Lease expense during the year amounted to $1,521,000 (2014: $116,000) representing the minimum lease payments.

Notes to the Financial Statements

29. Capital and financial risk management

a) Capital management

The Group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or increase debt.

Consistent with others in the industry, the Group monitors capital on the basis of monitoring its gearing ratio. During the 2014 and 2015 financial years, the Group had an ungeared balance sheet, net debt was nil. The Group's long term policy is to maintain a gearing ratio of 20% to 30%, in line with the objective of achieving growth through strategic acquisitions and organic growth.

b) Financial risk management

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance.

Risk	Exposures arising from	Measurement	Management
Credit risk	Cash, cash equivalents, trade and other receivables	Ageing analysis, Credit ratings	Diversification of bank deposits and credit limits
Liquidity risk	Trade and other liabilities	Rolling cash flow forecasts	Credit terms and availability of committed credit lines

The Group's risk management is carried out by the central treasury function (Group treasury) under policies approved by the Board of Directors.

Credit risk

Credit risk arises from deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables. Credit risk is managed on a Group basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'AA-' are accepted.

Significant concentrations of credit risk exist for progress payments due from the Federal Government in relation to VET FEE-HELP. However this is wholly mitigated by S&P's 'AAA' rating for Australia.

For impaired trade receivables and receivables past due but not impaired, see Note 11.

Liquidity risk

The Group treasury maintains sufficient cash to meet obligations due. The Group intends to secure committed credit facilities in due course as part of its long term policy of maintaining a gearing ratio of 20% to 30%. At the end of the financial year, the Group held $6.2 million of cash and cash equivalents (2014: $2.8 million) which were sufficient to meet the Group's obligations. Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flows. This is generally carried out at Group level by Group treasury.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Contractual maturities of financial liabilities As at 30 June 2015	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount of liabilities $'000
Non-derivatives							
Trade and other payables	8,171	–	441	369	–	8,981	8,981
Hire purchase loan	115	120	186	519	–	940	820
Current tax payable	8,917	–	–	–	–	8,917	8,917
Total Non-derivatives	17,203	120	627	888	–	18,838	18,718

29. Capital and financial risk management (continued)

In July 2015 the Group received $68.0 million of progress payments for VET FEE HELP and Vocational courses, Note 33.

Contractual maturities of financial liabilities As at 30 June 2014	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount of liabilities $'000
Non-derivatives							
Trade and other payables	6,259	–	–	–	–	6,259	6,259
Total Non-derivatives	6,259	–	–	–	–	6,259	6,259

30. Parent entity information

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. No comparatives have been disclosed for 2014 as the ACN Group was formed on 30 September 2014. The 2014 comparatives on the face of the Consolidated Statement of Financial Position refer to the financial position of CTI only. CTI has been identified as the acquirer for accounting purposes with respect to the formation of the Group effective 30 September 2014.

	30 June 2015 $'000
Statement of financial position	
Current assets	**53,868**
Total assets	**138,081**
Current liabilities	**600**
Total liabilities	**880**
Net assets	**137,201**
Issued capital	**125,131**
Retained earnings	**11,319**
Share option reserve	**751**
Total equity	**137,201**
Statement of profit or loss and other comprehensive income	
Profit for the year	**12,609**
Other comprehensive income	**–**
Total comprehensive income	**12,609**

Capital commitments – Property, plant and equipment

The Parent Entity had no capital commitments of as at 30 June 2015, (2014: $Nil).

The Parent Entity has not entered into a Deed of Cross Guarantee and had no contingent liabilities as at 30 June 2015.

Notes to the Financial Statements

31. Interest in subsidiaries

The controlled entities of the Group are as follows:

	Country of incorporation and principal place of business	Group proportion of ownership interests	
		30 June 2015	30 June 2014
Australian Careers Network Ltd	Australia		
Controlled entities:			
Community Training Initiatives Pty Ltd	Australia	**100%**	–
Community Employment Initiatives Pty Ltd	Australia	**100%**	–
CLI Training Pty Ltd	Australia	**100%**	–
Consider This Training Pty Ltd	Australia	**100%**	–
Phoenix Institute of Australia Pty Ltd	Australia	**100%**	–
Integral Recruitment Services Pty Ltd	Australia	**100%**	–
Unlimited Recruitment Pty Ltd	Australia	**100%**	–
The Community Initiatives Group Pty Ltd	Australia	**100%**	–
Centre of Vocational Education Pty Ltd	Australia	**100%**	–
International Training College Pty Ltd	Australia	**100%**	–
LOKA Enterprises Pty Ltd	Australia	**100%**	–
Health Education and Recruitment Services Pty Ltd	Australia	**100%**	–
Pan Bird Pty Ltd	Australia	**100%**	–
Smart Connection Company Pty Ltd	Australia	**100%**	–
Thoan Pty Ltd	Australia	**100%**	–
Training Experts Australia Pty Ltd	Australia	**100%**	–
Training Synergies Pty Ltd	Australia	**100%**	–

Notes to the Financial Statements

32. Deed of cross guarantee

The Company is in the process of lodging a Deed of Cross Guarantee with ASIC. The Deed of Cross Guarantee will have force and effect only after submitted for lodgement at ASIC.

Pursuant to ASIC Class Order 98/1418 (as amended), the wholly-owned and controlled Australian entities listed in Note 31 will be relieved from the Corporations Act requirements for the preparation, audit and lodgement of financial reports. The entities, together with the Parent Company, ACN, will all be members of the 'Extended Closed Group' as defined under the Class Order and will be parties to the Deed of Cross Guarantee once lodged. The Deed of Cross Guarantee will guarantee each creditor payment in full of any debt of these entities on winding up of that entity.

33. 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 (refer Note 11) as at 30 June 2015.

On 25 August 2015, the Directors declared a fully franked final dividend of $10,887,341 (13 cents per share) to be paid on 23 September 2015 (2014: nil).

On 1 September 2015 the Company announced that it had entered into a conditional business asset purchase agreement to acquire a 100% interest in the businesses of Smallprint and Catapult which produce student learning resources and online study material. The purchase consideration is estimated to be $24 million, calculated by reference to a multiple of EBITDA. As at the date of this report, the asset purchase was conditional upon the outcome of the Company's due diligence The acquisition will be funded from the Group's cash reserves.

Subsequent to the end of the financial year, a subsidiary of the Group, Phoenix Institute of Australia Pty Ltd (Phoenix), received notification in respect to the VET Quality Framework from the Australian Skills Quality Authority (ASQA) requiring Phoenix to respond to non-compliance findings as a result of an audit undertaken by ASQA after the reporting date. Phoenix has responded, as required by ASQA, by providing evidence of rectification of all matters. The Directors are confident that the response is appropriate and that Phoenix has fulfilled its obligations to operate under the Standards for Registered Training Organisations 2015. At the date of this report, ASQA has not yet provided a response as to their acceptance of the rectification evidence provided by Phoenix.

The Group continues to be subject to compliance related audits and other regulatory reviews, which is not uncommon for an education service provider the size of ACN. The Directors are confident these reviews do not significantly affect the Group's ongoing operations and results.

A review of student enrollment numbers in all open courses at year end was conducted in early September. This revealed that approximately 1,100 students withdrew from courses subsequent to the end of the financial year. Although ACN had a legal entitlement to pursue fees, ACN agreed to withdraw these students from the relevant courses and release them from their debt obligations even though they had crossed census date.
In accordance with ACN's revenue recognition policy, which is based on a series of judgements and estimates around course enrollment numbers (refer Note 4), any alteration to revenue estimates are reflected in profit and loss in the period in which the circumstances giving rise to the revised estimates occur. If these conditions had existed as at 30 June 2015 the impact to the results would have been a reduction in profit before tax of $2.4 million or $1.7 million after tax in FY15. As these conditions were not present at 30 June 2015 the reduction will be recorded in FY16.

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 30 June 2015 and of its performance for the financial year ended on that date; and

ii Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) There are reasonable grounds to believe that Australian Careers Network Limited will be able to pay its debts as and when they become due and payable.

2 The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2015.

3 Note 2 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Ivan Robert Brown
Director
Dated: 25 September, 2015

Auditor’s Independence Declaration

GrantThornton

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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 audit of Australian Careers Network Limited and controlled entities for the year ended 30 June 2015, 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 audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GrantThornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adam Pitts
Partner - Audit & Assurance

Melbourne, 25th September 2015

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Independent Auditor's Report
To the Members of Australian Careers Network Limited

Report on the financial report

We have audited the accompanying financial report of Australian Careers Network Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Australian Careers Network Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 19 to 24 of the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Independent Auditor's Report

Grant Thornton

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Australian Careers Network Limited for the year ended 30 June 2015, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Adam Pitts
Partner - Audit & Assurance

Melbourne, 25th September 2015

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. The information is effective as at 10 September 2015.

Distribution of Holdings

Range	No of Holders	No of Shares	% of Issued Capital
1 – 1,000	47	25,595	0.0%
1,001 – 5,000	90	271,911	0.3%
5,001 – 10,000	69	543,972	0.6%
10,001 – 100,000	108	3,626,028	4.3%
100,000 and over	44	79,281,269	94.7%
Total	**358**	**83,748,775**	**100.0%**

There were no holders of less than a marketable parcel of ordinary shares.

Twenty Largest Registered Shareholders

Rank	Shareholder	Shares Held	% of Issued Capital
1	IBT Holdings Pty Ltd	23,267,974	27.8%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,249,040	11.0%
3	NATIONAL NOMINEES LIMITED	8,884,930	10.6%
4	ARGO INVESTMENTS LIMITED	4,717,596	5.6%
5	CITICORP NOMINEES PTY LIMITED	4,267,655	5.1%
6	UBS NOMINEES PTY LTD	3,823,803	4.6%
7	Prakash Charan	3,444,445	4.1%
8	CS FOURTH NOMINEES PTY LTD	3,190,278	3.8%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,929,597	3.5%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,112,034	2.5%
11	CIRCUMFERENCE CAPITAL CT PTY LTD	2,097,776	2.5%
12	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	1,721,327	2.1%
13	BRISPOT NOMINEES PTY LTD	1,116,111	1.3%
14	GWYNVILL TRADING PTY LTD	887,500	1.1%
15	BNP PARIBAS NOMS PTY LTD	830,045	1.0%
16	PERSHING AUSTRALIA NOMINEES PTY LTD	780,227	0.9%
17	MR CRAIG GRAEME CHAPMAN	605,000	0.7%
18	UBS NOMINEES PTY LTD	458,000	0.5%
19	SANDHURST TRUSTEES LTD	316,200	0.4%
20	MOAT INVESTMENTS PTY LTD	312,677	0.4%
Total		**75,012,215**	**89.6%**
Balance of Register		**8,736,560**	**10.4%**
Grand Total		**83,748,775**	**100.0%**

ASX Additional Information

Substantial Shareholders

Name of Shareholder	No of Shares	% of Issued Capital
Ivan Brown	23,297,574	27.8%
Regal Funds Management	8,973,240	10.7%
Argo Investments	4,717,596	5.6%
Ellerston Capital	4,687,500	5.6%

Escrow Shares

Name of Shareholder	No of Shares
IBT Holdings Pty Ltd	23,267,974
Prakash Charan	3,445,445

Voting Rights

Ordinary Shares: On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Securities Exchange

The Company is listed on the Australian Securities Exchange.

Corporate Directory

Australian Careers Network Limited

ACN 168 592 434
7 Raleigh Street
Spotswood VIC 3015

Directors

Stephen Ray Williams
Ivan Robert Brown
Craig Graeme Chapman
Ray Keith Griffiths
Samantha Martin-Williams

Company Secretary

Ivan Robert Brown

Solicitors

HWL Ebsworth
Level 14, Australia Square
264 – 278 George Street
Sydney NSW 2000

Share Registry

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne VIC 3000

2015 Annual General Meeting

The Annual General Meeting of Australian Careers Network Limited members will be held on Monday 26th October, 2015 at 11.00 a.m. at Level 6, 446 Collins Street, Melbourne.

Auditor

Grant Thornton Audit Pty Ltd
The Rialto, Level 30
525 Collins Street
Melbourne VIC 3000

Corporate Advisor

Petra Capital Pty Limited
Level 17
14 Martin Place
Sydney NSW 2000

Website

www.australiancareersnetwork.com.au

Stock Exchange

Australian Careers Network Limited shares are quoted on the Australian Securities Exchange (ASX code ACO)

ACN

Australian Careers Network