

26 October 2015

## Annual General Meeting

### Chairman's Address

The Company had a very successful first year of operations and trading since being listed on the Australian Securities Exchange last December. It is true that there has been considerable volatility in the VET sector and we have been focused on integrating three of our acquisitions since listing. At the same time we have adjusted our strategy to diversify and balance our revenue streams across multiple funded and non-funded sources.

This strategy led to our acquisition of Phoenix Institute of Australia (Phoenix) in January which enabled the Company to access the provision of higher education courses and adding new diploma courses on scope importantly accessing the VET FEE-HELP Scheme—which is a student loans scheme, administered by the Australian Department of Education and Training, under the Higher Education Support Act 2003 (HESA) and the VET Guidelines 2015. By widening our student base with VET FEE-HELP Scheme accreditation we experienced considerable growth in student enrolment numbers over the last six months which changed the driving focus of the business and Ivan Brown, your CEO, will provide more details of this to shareholders in his presentation.

It was particularly pleasing to the Board that the Company met and in fact exceeded the Prospectus financial forecast and that the Board was able to meet shareholder expectations by declaring a dividend in the stated range. I commend the Annual Report to shareholders for careful reading as it gives a detailed explanation of our financial performance and an insight into our future strategic direction by diversifying and broadening our income streams and reducing our dependency on government funded course delivery. Our announced acquisitions of the Small Print and Catapult businesses which provide course materials and delivery to the sector, will assist us in achieving that goal when they are completed.

Having said that about our 2015 Financial Year results, we had not expected to hold our first AGM under the circumstances in which the Company now finds itself. The whole of the vocational education and training sector has been and is under close scrutiny and pressure. This is highlighted in the updated release dated 20th October 2015 from Australian Quality Skills Authority (ASQA) which regulates Registered Training Organisations (RTOs) to ensure quality training and assessment reporting. This is particularly the case in respect to targeted reviews of VET FEE-HELP providers. Those reviews led to targeted audits of 21 VET FEE-HELP providers which commenced in 2014 and are continuing and which have detected widespread systematic issues requiring rectification in order to comply with the requisite Standards.

On 13th October 2015 following Phoenix's response to an initial audit by ASQA, the Company was formally notified by ASQA and the Commonwealth Department of Education and Training, of certain

non-compliances relating to its training accreditation and particularly in respect of certain complaints received about the practices of some brokers, which are commonly used by RTOs to source potential students for enrolment. The Company also simultaneously received notices from the Victorian Government alleging related RTO non-compliances. The updated ASQA release notes that the relevant regulators have worked closely together under the National Standards Scrutiny Project with a view to changing the regulatory landscape in relation to the VET FEE-HELP Scheme.

Each regulator requires ACN and its subsidiaries to respond to the issues raised on varying dates up to and including 9<sup>th</sup> November 2015, before they consider those responses for determination. Pending our responses, which includes satisfying a revised tuition assurance requirement, this has also resulted in the deferment of the October 15<sup>th</sup> VET FEE-HELP instalment to the end of October 2015. Upon receipt of the correspondence and notices the Company requested a trading halt on the ASX to allow it to consider their content and assess the work required to respond to the designated outstanding issues.

After due consideration the Board took the view that it was prudent to extend the suspension of trading in the Company's shares on the ASX, firstly to gather the evidence required to adequately respond to the regulators requests and secondly to avoid speculation as to the outcome until the market can be fully informed in all respects. In the Board's view this has proved to be the correct course especially given the content of the updated ASQA release on 20<sup>th</sup> October 2015.

We immediately implemented internal processes to review training practices and the alleged broker complaints including securing third party consultants to undertake independent reviews, to ensure adequate responses within the required timeframes.

While the Company addresses the outstanding matters under the regulatory notices, it has suspended all broker engagements and has initiated an independent review under the auspices of the Australian Council for Private Education and Training (ACPET).

The action to suspend brokers follows alleged continued compliance incidents, despite the introduction by the Company of a strict and thorough screening process earlier this year to ensure that only appropriate students were enrolled in courses and that illegal inducements were not used to secure those enrolments.

Whilst non-complying students cannot be enrolled on our system due to the vigorous screening processes, it has not prevented continuing bad practices from rogue brokers. In February this year, all brokers on ACN contracts were advised that if they breached our strict requirements and standards, their contracts would be terminated. Since that date a significant number of brokers have had contracts terminated. The current action to suspend brokers is only one of the actions undertaken by the Company to ensure integrity of the VET sector and our own practices.

We have made representations to both the Commonwealth and Victorian State Ministers confirming these actions and our commitment to work closely with all regulators to rectify non-compliances to the extent that they exist and to lead the way as a vocational education training provider especially

with a VET FEE-HELP component in compliance with the recent standards introduced to Federal Parliament under the Higher Education Legislation Amendment (Miscellaneous Measures) Bill 2015.

While there have been minimal consumer complaints about the quality of our courses and their delivery, the Company recently announced the formation of a separate Quality Committee to ensure that compliance and practices in training and assessment meet the highest standards and the Board has implemented and is examining further strategies as to how it can provide better placement outcomes for the students it trains.

As a Board we are committed to ensure that all our students that are currently enrolled in training courses, especially those with a VET FEEHELP component, receive quality training and outcomes to enable them to secure work in the future and that we provide a secure environment for students, trainers and staff alike.

The Company will be lodging its submissions to the Department of Education today and is not due to respond to ASQA until early next month. Otherwise it is addressing other issues raised by the Victorian Department of Education. It is expecting to have dealt with all the issues raised by the regulators within the first two weeks in November.

The Board is confident that management can respond to these current issues and achieve positive outcomes and resume training operations under any appropriate conditions that may be imposed by regulators.

The Board appreciates that this has been distressing for shareholders and all our stakeholders including our staff and particularly students, often fuelled by media coverage on the sector which only exacerbates the issue.

We will keep the market fully informed as we move towards completion and resolution of the process to enable the lifting of the current suspension and resume trading of its shares on the ASX.

I would like to thank the Board for their contribution over the past 12 months which has been a busy period since listing. I would especially like to thank all our management and staff for the time and effort they have put in through this period of rapid growth. I would also like to thank shareholders for their continued support during this uncertain period.

I will now hand over to Mr Ivan a Brown, your CEO to provide an operational update followed by which there will be time for some questions from shareholders.

Stephen R. Williams  
Chairman

26th October 2015

## Managing Director's Address

Good morning, for those of you that don't know me, my name is Ivan Brown and I am the Managing Director of Australian Careers Network (ACN).

Firstly I would like to thank all of our shareholders for coming today and further thank them for their support over the previous 12 months. I am delighted to provide you with an update on the Company's first year of listed operations, the current year's performance and the current status of the business.

I will start off by covering the Company's corporate strategy, highlight the FY15 results, then discuss our training and financial performance and close by providing you with an update on the FY16 business performance.

ACN's corporate strategy is to become the premier service provider across all elements of the training and employment value chain by:

- Establishing a robust business to support growth in terms of people, IP, infrastructure and processes;
- Establish best practice operation within the Vocational Education and Training sector with respect to Quality training, ethical standards, course completion rates; and
- Diversify both geographically, and within the larger education and training industry, via acquisition and organic means.

I'm pleased to say that we made a great start to our listed life in 2015 where in the first half of the year, we:

- Integrated the businesses which formed part of the corporate restructure as part of the IPO, and
- Established a solid platform for growth.

In the second half of the year, we:

- Acquired 3 businesses in differing parts of the training market, and
- Expanded course types and gained access to VET FEE-HELP funding accreditation.

The 2015 financial year brought many key highlights, some of them I would like to bring to your attention:

- Our student numbers exceeded Prospectus forecast by 65%, growing to 25,784;

- The Company achieved an EBITDA (before one off items) of \$31.7 million, which was 41% ahead of the Prospectus forecast;
- We acquired The Phoenix Institute of Australia and expanded into the VET FEE-HELP funding scheme, through the launch of MyTimeLearning online education platform;
- We diversified revenue sources into VET FEE-HELP and Certegy-funded student loans;
- We established interstate agreements with North Coast TAFE in NSW;
- We appointed Ms Samantha Martin-Williams, the former General Manager of TAFE NSW | Hunter Institute, to the Board;
- We formed a Quality Oversight Committee; and
- Acquired Wizard Corporate Training.

Our FY 15 financial performance was also a great achievement. Slides 9 & 10 show the FY15 financial performance and the strength of the Company's balance sheet at the end of the financial year in the above overhead.

As far as the Company's training performance is concerned, slide 12 shows the Company's Student enrolment growth, which as noted earlier, have grown considerably in FY 15. We achieved almost 25,800 enrolments compared to the prospectus forecast of 14,600.

ACN is truly moving towards being an end to end solution provider for student career development. Slide 14 illustrates where the Company is currently at and where we are planning to expand. We have a good understanding of where training requirement opportunities are and we will continue to monitor and pursue opportunities as they arise.

In order to ensure we provide quality training and maintain a solid framework to support its delivery in the most ethical manner, we have recently established a Quality oversight committee within the business. This committee:

- Consists of:
  - Samantha Martin-Williams (Chairperson) – former General Manager of TAFE NSW | Hunter Institute (ACN Director);
  - Peter Hall – former Minister for Higher Education and Skills under the previous government in Victoria; and
  - Michael Jansen – founder of Apprenticeships Matter.
- The committee will meet bi-monthly to assist management in:

- providing quality training;
- by identifying areas requiring improvement; and
- ensuring best practice training & outcomes for students.

As far as ACN's strategic performance is concerned, slide 17 illustrates our strategy and latest outcomes. I'm pleased to say that we have achieved a significant part of our business strategy to date.

Now that the first quarter has ended, I will provide you with an update of the business in the current financial year.

Firstly, I am pleased to advise that:

- We have had a strong start to the year
  - Increased revenue, profit & cash;
  - Stronger balance sheet;
  - Increased student numbers; and
  - Employee headcount > 600.
- ACN's revenue is more diversified than when we listed, with revenue now coming from
  - Vocational education and training;
  - VET FEE approved training;
  - Labour hire; and
  - On line learning
- We have enhanced our management capability by hiring a number of quality executives
  - CFO, CTO, GM HR, Internal Auditor
- The share price has grown from \$1.70 to \$3.43 since July

We have recently received notices from the Education Department and the industry regulators in relation to some non-compliance matters, which we are working very hard responding to. Although our Chairman, Mr. Steve Williams has provided an overview of the matter, I would like to highlight a few key points with respect to the situation, the way in which ACN is responding to it and the reason why we sought a voluntary suspension on the ASX:

- Vocational Education and Training sector is currently under the government spotlight;
- The government regulator and Federal & State Government recently provided ACN with correspondence re a number of matters;
- ACN is engaged with all stakeholders seeking to resolve matters raised;
- Managements view is that a satisfactory outcome is achievable;

- Upon receipt of correspondence, the Board decided to seek a voluntary suspension on trading in ACN shares;
- ACN is working hard to respond to issues raised by the regulator. Until responses are received back and we can communicate to the market, shares must be suspended until all parties can be fully informed;
- ACN management is undertaking all efforts to ensure that all issues will be appropriately resolved; and
- ACN remains committed to providing a high quality product in an accessible fashion in line with industry best practice. This will ensure the company's success in to the future.

Given the current status of these matters, we are unable to provide profit guidance at this stage.

The Board, my management team and a number of external stakeholders and industry specialists are working very hard to achieve a good outcome regarding these matters. We look forward to providing you with updated information in the coming weeks.

Ivan Brown  
Managing Director

October 26, 2015

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

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