



18 May 2015

MARKET UPDATE – UPDATE ON VICTORIAN REGULATORY MATTERS

As previously announced, Vocation is taking steps to close its Victorian Registered Training Organisation, BAWM, and as part of its first half 2015 results had taken up further provisions for likely issues in BAWM and Learning Verve. This announcement comments on the progress which has been made and confirms that the provisions taken up were adequate.

The Company has been working in full cooperation with both the Victorian Registration and Qualifications Authority (**VRQA**) and the Victorian Department of Education & Training (the **Department**) over the past several months to respond to the findings of regulatory audits which occurred during early 2015 and to address matters pertaining to the closure of BAWM and legacy issues affecting Learning Verve. As part of that process, and as anticipated as a possibility in Vocation's first half 2015 results, a number of qualifications must be withdrawn and amounts repaid to the Department.

The financial impact of those potential repayments is fully covered by the provisions taken up by the Company in its first half 2015 results, which included amounts in relation to potential costs or repayments associated with any need to withdraw qualifications.

The Company has reached an in principle agreement with the Department as to the arrangements that will give effect to that process. The arrangements will provide for the recall of around 1,100 student qualifications and the repayment of around \$8 million to the Department on a deferred basis over the next 18 months. That amount sits comfortably within the amount provisioned in the first half 2015 results.

A recall of qualifications has commenced for students who undertook four programs (Aged Care, Children's Services, Business Administration, and Competitive Systems and Practices) and two discrete units (First Aid and Assist Clients with Medication) during 2014.

Since then Vocation has undertaken a comprehensive process to identify and address compliance issues and fully adhere with regulatory directives. Vocation has established a Quality & Compliance team under the guidance of the independent Quality Advisory Committee. The Company remains committed to the highest levels of compliance across its business going forward.

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