

## 1. Company details

Name of entity:	Vocation Limited
ABN:	95 166 631 330
Reporting period:	For the year ended 30 June 2015
Previous period:	For the year ended 30 June 2014

## 2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	13.9% to	95,204
Revenue from continuing operations	up	18.6% to	33,273
Loss after income tax benefit from continuing operations	up	>100.0% to	(177,086)
Underlying Earnings Before Interest, Tax, Impairment, Depreciation and Amortisation ('EBITDA')	down	>100.0% to	(12,900)
Loss from ordinary activities after tax attributable to the owners of Vocation Limited	up	>100.0% to	(300,278)
Loss for the year attributable to the owners of Vocation Limited	up	>100.0% to	(300,278)

### Dividends

On 10 October 2014, the consolidated entity paid a fully franked final dividend of 3.2 cents per ordinary share for the year ended 30 June 2014.

There were no other dividends paid, recommended or declared for the financial year ended 30 June 2015.

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$300,278,000 (30 June 2014: \$3,481,000).

Further information on the review of operations, financial position and future strategies is contained in the Chief Executive Officer's operating and financial review report attached as part of the Annual Report.

## 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible liabilities per ordinary security	(10.58)	(20.59)

## 4. Control gained over entities

Name of entities (or group of entities)	Endeavour Learning Group
Date control gained	1 July 2014

\$'000

Contribution of such entities to the reporting entity's (loss)/profit from ordinary activities before income tax during the period (where material)	3,569
(Loss)/profit from ordinary activities before income tax of the controlled entity (or group of entities) for the whole of the previous period (where material)	-

Refer to note 34 to the financial statements for further details.

#### 5. Loss of control over entities

Name of entities (or group of entities)	(i) Australian College of Applied Education Pty Ltd, (ii) Australian School of Management Pty Ltd, (iii) Endeavour Learning Group and (iv) OzSoft Solutions Pty Ltd.
Date control lost	(i) 16 March 2015, (ii) 16 March 2015, (iii) 29 April 2015 and (iv) 3 June 2015

\$'000

Contribution of such entities to the reporting entity's (loss)/profit from ordinary activities before income tax during the period (where material)	4,101
(Loss)/profit from ordinary activities before income tax of the controlled entity (or group of entities) whilst controlled during the whole of the previous period (where material)	386

Refer to note 8 to the financial statements for further details.

#### 6. Dividend reinvestment plans

Not applicable.

#### 7. Details of associates and joint venture entities

Not applicable.

#### 8. Foreign entities

*Details of origin of accounting standards used in compiling the report:*

Not applicable.

#### 9. Audit qualification or review

*Details of audit/review dispute or qualification (if any):*

The financial statements have been audited and a modified audit opinion with an emphasis of matter paragraph regarding going concern has been issued.



## 10. Attachments

*Details of attachments (if any):*

The Directors' report and annual financial statements of Vocation Limited for the year ended 30 June 2015 are attached.

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# **Vocation Limited**

**ABN 95 166 631 330**

**Directors' report and annual financial statements - 30 June  
2015**

**Vocation Limited  
Corporate directory  
30 June 2015**



Directors	Douglas Halley - Chairman Stewart Cummins Steve Tucker Michelle Tredenick
Company secretary	Emma Lawler
Notice of annual general meeting	The details of the annual general meeting of Vocation Limited are: AGL Theatre, Museum of Sydney Corner of Phillip and Bridge Streets Sydney, NSW 2000 Friday 23 October 2015 at 10:00am (AEST)
Registered office	Level 15 1 Pacific Highway North Sydney, NSW 2060 Head office telephone: 1800 862 284
Share register	Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Share registry telephone: 1300 554 474
Auditor	PricewaterhouseCoopers Darling Park Tower 2 201 Sussex Street Sydney, NSW 2000
Solicitors	Allens Level 28, Deutsche Bank Place 126 Phillip Street (corner of Hunter and Phillip streets) Sydney, NSW 2000
Bankers	CBA - Level 9, 201 Sussex Street, Sydney, NSW 2000 NAB - Level 18, 255 George Street, Sydney, NSW 2000 Westpac - Level 3, 275 Kent Street, Sydney, NSW 2000 (agent for the bank group)
Stock exchange listing	Vocation Limited shares are listed on the Australian Securities Exchange (ASX code: VET)
Website	<a href="http://www.vocation.com.au">www.vocation.com.au</a>

**Vocation Limited**  
**Directors' report**  
**30 June 2015**



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Vocation Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2015.

**Directors**

The following persons were directors of Vocation Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Douglas Halley - Independent Non-Executive Chairman (appointed as Chairman on 26 November 2014)  
 Stewart Cummins - Executive Director - Managing Director and CEO (appointed on 1 May 2015)  
 Steve Tucker  
 Michelle Tredenick  
 John Dawkins AO - previous Chairman (resigned on 26 November 2014)  
 Mark Hutchinson - previous Managing Director and CEO (resigned on 1 May 2015)

**Principal activities**

During the financial year the principal continuing activity of the consolidated entity was that of a full-service private vocational education and training service ('VET') provider, operating across all levels of the VET sector value chain including front-end student recruitment, education and training delivery and back-end student management.

The consolidated entity briefly operated as a provider of higher education ('HE') courses (bachelor's degrees and higher). The HE operations commenced and discontinued during the financial year.

**Dividends**

Dividends paid during the financial year were as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2014 of 3.2 cents per ordinary share	6,493	-
Pre-IPO dividend for the year ended 30 June 2014 of \$792,500 per ordinary share	-	9,510
	<u>6,493</u>	<u>9,510</u>

### Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$300,278,000 (30 June 2014: \$3,481,000 loss).

\$'millions	Statutory		Underlying Adjustments		Underlying	
	FY15	FY14	FY15	FY14	FY15	FY14
Revenue	95.2	110.5	(61.9)	(82.4)	33.3	28.0
Expenses	(135.7)	(111.5)	89.6	86.6	(46.2)	(24.9)
EBITDA (before impairment and loss on divestments)	(40.5)	(1.0)	27.6	4.2	(12.9)	3.2
Depreciation and amortisation	(12.9)	(3.7)	6.7	0.8	(6.2)	(2.9)
Interest	(4.8)	-	-	-	(4.8)	-
Loss on divestment of businesses	(2.5)	-	(2.5)	-	-	-
Impairment of goodwill and intangible assets	(240.7)	-	240.7	-	-	-
(Loss)/profit before tax	(301.4)	(4.8)	277.6	5.0	(23.8)	(0.2)
Income tax benefit/(expense)	1.1	1.2	(1.6)	4.9	(0.5)	5.8
(Loss)/profit after income tax	(300.3)	(3.5)	276.0	9.9	(24.3)	6.4
Weighted average number of shares (millions)	224.7	100.2			224.7	100.2
Basic earnings per share (cents)	(133.6)	(3.5)			(10.8)	6.4

The use of the term 'Statutory' refers to IFRS financial information and 'Underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information and therefore have been presented in compliance with ASIC Regulatory Guide 230 – Disclosing non-IFRS information, issued in December 2011. Underlying Adjustments have been considered in relation to their size and nature, and have been adjusted from the Statutory information for disclosure purposes to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments and the comparatives are assessed on a consistent basis year-on-year and include both favourable and unfavourable items. The exclusion of these items provides a result which, in the Directors' view, is more closely aligned with the ongoing operations of the consolidated entity.

The following table reconciles the adjustments to Loss After Income Tax (Attributable to Ordinary Equity Holders) to Underlying Profit after Income Tax (Attributable to Ordinary Equity Holders):

**NPAT Underlying Adjustments**

\$'millions	Notes	FY15	FY14
Statutory (loss)/profit from continuing and discontinued operations after income tax attributable to ordinary equity holders		(300.3)	(3.5)
Impairment of goodwill and intangible assets	4	(137.8)	-
Loss on divestments	1	(2.5)	-
Discontinued businesses	2	(120.6)	8.7
One-off costs	3,4	(15.0)	(18.6)
Underlying (Loss) / Profit after income tax attributable to ordinary equity holders		(24.3)	6.4

**Notes:**

1. Net loss on divestments effected as a result of the strategic review were \$2.5 million post completion of divestments
2. Reflects the closure of BAWM and Aspin RTOs and divested assets (ELG, ASM, ACAE and OzSoft); includes an impairment of \$103 million
3. One-off costs include provision for corporate restructuring (FY14 one-offs related to IPO and transaction costs), legal, further costs associated with refinancing the debt, onerous leases and redundancy costs
4. Impairment charge of \$137.8m relates to the continuing businesses. In HY15 accounts & investor presentation all businesses were treated as 'Continuing'. In FY15 some have been ceased operations and some now been sold and hence 'Discontinued'.

The attached financial statements detail the financial performance and financial position of the consolidated entity for the financial year ended 30 June 2015. It also contains an independent auditor's review report which includes an emphasis of matter paragraph in regard to the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. For further information, refer to note 1 to the financial statements, together with the independent auditor's review report.

*Business objectives being met*

The consolidated entity used the cash and cash equivalents generated at the timing of listing in a way consistent with its stated business objectives.

**Significant changes in the state of affairs**

Significant changes in the state of affairs of the consolidated entity during the financial year were as follows:

**Acquisition and subsequent disposal of Endeavour College of Natural Health**

On 1 July 2014, the consolidated entity acquired 100% of the issued share capital of Endeavour Learning Group ('Endeavour'), one of Australia's leading providers of higher education and vocational training in the health and wellness sector. Endeavour was acquired for a total consideration of \$82,738,000 (net of cash acquired). The details and financial impact of this acquisition is disclosed in Note 34.

On 29 April 2015, as part of the strategic review, the consolidated entity sold Endeavour for up to \$73,750,000 (after working capital adjustment of \$1,250,000) and recognised a loss on disposal of \$11,885,000. Refer to note 8 for further details.

**Placement**

On 16 September 2014 the consolidated entity issued 24,294,952 shares to institutional shareholders for total proceeds of \$74,000,000. Details of all movements in contributed equity are disclosed in Note 22 of the financial statements.



**Acquisition of the remaining 50% of Australian School of Management ('ASM') and subsequent disposal of ASM and Australian College of Applied Education Pty Ltd ('ACAE')**

On 22 October 2014 the consolidated entity exercised the call option to acquire the remaining 50% of ASM for \$2,460,000. ASM was based in Western Australia and had strong contractual and operational links with ACAE which was also owned by the consolidated entity.

On 16 March 2015, as part of the strategic review, the consolidated entity sold ASM and ACAE for \$16,300,000 including \$1,000,000 deferred consideration received in full in April 2015 and \$1,000,000 contingent consideration due in March 2016 and recognised a gain on disposal of \$9,793,000. Refer to note 8 for further details.

**Disposal of OzSoft Solutions Pty Ltd ('OzSoft')**

On 3 June 2015, the consolidated entity sold its non-core business, OzSoft, for \$3,100,000 and recognised a loss on disposal of \$453,000.

**Discontinuation of Victorian businesses**

In September 2014, two of Vocation's Registered Training Organisations' ('RTOs'), Aspin Pty Limited ('Aspin') and BAWM Pty Limited ('BAWM'), were the subject of an out of cycle review by the Victorian Department of Education and Early Childhood Development ('DEECD'). As an outcome of the October 2014 settlement with the DEECD, BAWM and Aspin agreed to relinquish their Victorian Funding Contracts and a decision by the company was made during November 2014 to cease operations of these RTOs. The details and financial contribution from of these discontinued operations are disclosed in Note 8.

**Strategic review and turnaround plan**

During the second half of the current financial year, the consolidated entity, with the assistance of external advisors, undertook a strategic review of the consolidated entity's businesses and operations including its capital structure. This review was completed resulting in the divestment of Endeavour, ASM, ACAE and Ozsoft, and the establishment of a capital structure more appropriate for the ongoing business.

This review generated gross sale proceeds of \$84,000,000, \$73,000,000 of which was used to the repay the consolidated entity's existing debt facilities.

The consolidated entity has now streamlined its business portfolio and is in the process of bolstering its market and operating reputation and performance of its ongoing core VET business with a clearly defined five point turnaround plan to guide its recovery over the next two to three years.

**Amendments to facilities agreement**

On 24 December 2014, the consolidated entity amended the terms of its existing loan facility with its lenders (Second Amendment). This amendment reduced the total facility size to \$88,000,000 (including a \$3,000,000 bank guarantee facility), but maintained the existing three year tenor to May 2017 with certain waivers and additional conditions.

There was a further amendment (Third Amendment) on 23 February 2015 whereby the facility limit of \$88,000,000 remained unchanged from the Second Amendment. The facility maturity date of 30 May 2016 (previously 30 May 2017) was agreed as part of the Third Amendment. As part of the Third Amendment, there was an obligation to materially deleverage the consolidated entity's statement of financial position which was achieved by selling several assets of the consolidated entity in the second-half of the financial year (see note above).

As a result of the asset sales arising from the strategic review process, the consolidated entity's gross debt has reduced to \$11,000,000 as at 30 June 2015 from \$120,000,000 in early December 2014.

The details and financial impact of borrowings is disclosed in Note 19 and details of a further amendment to the facilities agreement subsequent to year end is disclosed below and in Note 37.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

**Matters subsequent to the end of the financial year**

Subsequent to year end, on 4 August 2015, the consolidated entity further amended the terms of its Facilities Agreement under the Fourth Amendment with the MLAs. The key components of the amended Facilities Agreement are the reduction of the facility to \$12,500,000 (\$11,000,000 under Facility A and \$1,500,000 under Facility B), a new, extended maturity date of 28 February 2017 (previously 30 May 2016), and minimum mandatory repayments of \$3,000,000 over the next 12 months. See note 19 for details.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

#### Likely developments and expected results of operations

Likely developments in the operations of the consolidated entity and expected results of those operations will be contained in the Chief Executive Officer's operating and financial review report as part of the Annual Report to be released next month.

#### Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

#### Information on directors

Name:	Douglas Halley (appointed as a Chairman on 26 November 2014)
Title:	Non-Executive Director - Chairman
Qualifications:	Bachelor of Commerce, Masters of Business Administration and is a Fellow of the Australian Institute of Company Directors.
Experience and expertise:	Doug's career has encompassed accounting and audit, treasury management and broader financial and general management responsibilities. For 30 years he held CFO and CEO positions with major organisations in a diversity of industries including banking (Rothschild and Hill Samuel (now Macquarie Bank)), media (Fairfax Media and Television & Media Services), computer services (IBM), information services and online and print publishing (Fairfax Media and Thomson Legal & Regulatory). For the past seven years, Doug has held non-executive positions in a variety of listed, private and not-for-profit organisations. He is Chair of DUET Group and is a founding investor and director of Print and Digital Publishing which produces "Time Out".
Other current listed company directorships:	Chairman of DUET Group
Former listed company directorships (last 3 years):	Fairfax Media Ltd; Corum Group Ltd; Kollakorn Corporation Ltd; Television & Media Services Ltd (delisted 2007) and Foyson Resources Ltd.
Special responsibilities:	Member of the Nomination and Remuneration Committee and the Audit and Risk Committee
Interests in shares:	628,730 ordinary shares
Name:	Stewart Cummins (appointed on 1 May 2015)
Title:	Executive Director - Managing Director
Qualifications:	Bachelor of Economics (Macquarie University), Masters of Management (MGSM), Fellow of the Institute of Chartered Accountants in Australia and is a Graduate of the Australian Institute of Company Directors.
Experience and expertise:	Stewart was appointed CEO and Managing Director of Vocation on 1 May 2015, after performing the role of Interim CFO from December 2014. He served as the CFO of Transpacific Industries Group Ltd from May 2011 to October 2014 and served as the Finance Director of TNT Express N.V. in Australia, New Zealand and the Pacific Islands from 2005 to 2011. Prior to this, Stewart held senior financial roles with companies including Caltex Australia, Dairy Farmers, Multiplex and Arthur Andersen.
Other current listed company directorships:	None
Former listed company directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	None
Interests in rights:	None

Name: Steve Tucker  
Title: Non-Executive Director  
Experience and expertise: Steve was the CEO of MLC from 2004 to 2013 and was a Group Executive of National Australia Bank ('NAB') Wealth division from 2010 to 2013, as well as a member of the NAB Group Executive Committee. As CEO, he had responsibility for MLC, NAB Private Wealth and JBWere. Steve joined MLC in 1988 and held a number of senior roles including leading MLC's retail investment and advice businesses. Steve is chairman of Koda Capital, an unlisted private wealth advice firm, chairman of Westoz Investment Management and a non-executive director of listed investment companies Westoz and Ozgrowth. He is currently a director of the Banking and Finance Oath organisation and was formerly a director of the Financial Services Council. Steve has been involved with one of the Founding Companies, AVANA, as a minority shareholder since 2011.

Other current listed company directorships: OzGrowth Limited; WestOz Investment Company Limited  
Former listed company directorships (last 3 years): None  
Special responsibilities: Chairman of the Audit and Risk Committees and Member of the Nomination and Remuneration Committee  
Interests in shares: 547,465 ordinary shares

Name: Michelle Tredenick  
Title: Non-Executive Director  
Qualifications: Bachelor of Science (University of Queensland) and is a Fellow of the Australian Institute of Company Directors.  
Experience and expertise: Michelle is an experienced company director and corporate advisor with over 30 years' experience in leading Australian businesses. She is currently a director of Bank of Queensland Limited and Canstar Pty Ltd and is chairman of IAG NRMA Corporate Superannuation Board Pty Ltd. She is a member of the Senate of the University of Queensland as well as sitting on the board of The Ethics Centre. Michelle also has her own consulting business advising Boards and CEOs on strategy and technology and the successful management of large investment and transformation programs. Michelle's executive career has seen her work across the banking, insurance and wealth management industries in Group Executive roles for NAB, MLC and Suncorp.

Other current listed company directorships: Bank of Queensland Limited  
Former listed company directorships (last 3 years): None  
Special responsibilities: Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Committee  
Interests in shares: 315,333 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

#### Company secretary

Emma Lawler was appointed company secretary on 16 December 2014 and has over 15 years' experience as a company secretary. Emma holds a Bachelor of Business and a Graduate Diploma in Applied Corporate Governance and is a Fellow of the Governance Institute of Australia.

The previous company secretary was Manvinder Gréwal.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2015, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Douglas Halley	61	61	8	8	7	7
Stewart Cummins	5	5	-	-	-	-
Steve Tucker	61	61	8	8	7	7
Michelle Tredenick	61	61	8	8	7	7
John Dawkins AO	23	23	4	4	2	2
Mark Hutchinson	52	56	-	-	-	-
			Investment Committee		Board Committee	
			Attended	Held	Attended	Held
Douglas Halley			1	1	2	2
Steve Tucker			1	1	-	-
Michelle Tredenick			-	-	2	2
John Dawkins AO			-	-	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

### Loans to directors and executives

No loans were made to directors and executives of the consolidated entity including their close family and entities related to them during the financial year.

### Shares under option

There were no unissued ordinary shares of Vocation Limited under option outstanding at the date of this report.

### Shares under performance rights

There were no unissued ordinary shares of Vocation Limited under performance rights outstanding at the date of this report.

### Shares issued on the exercise of options

There were no ordinary shares of Vocation Limited issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

### Shares issued on the exercise of performance rights

The following ordinary shares of Vocation Limited were issued during the year ended 30 June 2015 and up to the date of this report on the exercise of performance rights granted:

	Number of shares issued
Date performance rights granted – 20 October 2014	
Exercise of Performance Rights granted to Carolyn Barker (580,000 lapsed)	40,000

## Letter from the Chair of the Nomination and Remuneration Committee and Executive Summary

Dear Shareholder,

As Chair of the Nomination and Remuneration Committee ('NRC'), I would like to present our FY15 remuneration report for which we seek your support.

Vocation experienced significant business challenges during FY15 together with a high level of turnover at the Executive level. As part of the response to the challenges, the leadership team was renewed. A new Chief Executive Officer ('CEO') and Managing Director was appointed on 1 May 2015 and a new organisation structure and leadership team has been put in place to reflect the company's smaller size and different needs.

As a result of these changes, the remuneration framework disclosed in the 2014 Remuneration Report has evolved. The Board of directors though remains committed to a reward framework that is focussed on creating sustainable shareholder value - the guiding principles set and disclosed last year continue to remain relevant:

- Executive remuneration is fair, market-based, and sufficient to attract and retain a strong leadership team; and
- Alignment with long-term performance and shareholders' interests through appropriate equity ownership.

### Overview of Vocation's FY16 reward framework

Following the changes in the business as outlined above, the NRC reviewed the reward framework for FY16 and has determined that the remuneration of key executives will consist of the following elements.

#### *Fixed remuneration*

Fixed remuneration for all key executives will be benchmarked against relevant remuneration benchmark data.

#### *Incentive framework*

Vocation does not intend to pay cash short-term incentives ('STI') as part of the reward framework at this time in the company's development.

Vocation will however use its Performance Rights Plan to issue Performance Rights to executives (and staff more generally) to align staff and shareholder interests. The issue of Performance Rights as an incentive plan will:

- Help retain key staff members and reduce unwanted attrition;
- Increase staff engagement and productivity given employees will have a stake in Vocation and will directly benefit from success in the turnaround; and
- Align the interests of our employees with that of our shareholders and recognise the importance of employees and their contribution to the ongoing success of our business.

The CEO and Managing Director's remuneration was set at the time of appointment in May 2015 and is detailed in this report.

In FY16, Performance Rights will be a variable component to the remuneration of executives (direct reports to the CEO and Managing Director) and will be allocated up to 25% of total fixed remuneration, with 10% subject to a service condition and clawback policy and the remainder subject to achievement of specific key performance indicators, service condition and clawback policy.

### Remuneration governance

The NRC will continue to work to develop the most appropriate reward framework for the business. The responsibilities of the NRC and the Board in relation to remuneration are very clear and defined in the respective Charters. Members of the NRC have the necessary expertise and independence to fulfil their responsibilities and are able to access independent experts in remuneration for advice should this be required. The governance processes in relation to remuneration are working effectively.

In summary, while Vocation has had a challenging year, the guiding principles for the remuneration framework remain appropriate, although the incentive framework has been adjusted to better align the interests of staff and shareholders at this time in the Company's development. We look forward to providing further detail on the reward framework in future reports and the linkages this provides with business performance.

On behalf of the NRC

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**Michelle Tredenick**  
Chair of the Nomination and Remuneration Committee

31 August 2015  
Sydney

**Remuneration report (audited)**

This remuneration report, sets out the consolidated entity's remuneration arrangements for its Key Management Personnel ('KMP') in accordance with the requirements of the Corporations Act 2001 and its Regulations. KMP comprises all directors (executive and non-executive) and those members of the senior executive team who have authority and responsibility for planning, directing, and controlling the activities of the consolidated entity.

The remuneration report has been audited as required by section 308(3C) of the Corporations Act 2001.

The remuneration report is set out under the following main headings:

- Key Management Personnel ('KMP')
- Remuneration governance and principles used to determine the nature and amount of remuneration
- Relationship between remuneration policy and company performance
- Details of remuneration
- Service agreements
- Share-based compensation and performance rights
- Additional disclosures relating to KMP

**Key Management Personnel (KMP)**

KMP during FY15 were as follows:

*Non-executive directors*

- Doug Halley, appointed Chairman on 26 November 2014
- Michelle Tredenick
- Steve Tucker
- John Dawkins AO, resigned as Chairman and Director on 26 November 2014

*Executives*

- Stewart Cummins, appointed Interim Chief Financial Officer ('CFO') on 10 December 2014 and CEO and Managing Director on 1 May 2015
- Mark Hutchinson, resigned as CEO and Managing Director on 1 May 2015
- Carolyn Barker, ceased employment as CEO, Higher Education Division of Vocation on 29 April 2015, following the sale of the Endeavour Learning Group business
- Wendy Bonnici, CEO Vocational Education and Training, resigned 5 December 2014
- Manvinder Gréwal, Former Group CFO and Company Secretary, terminated effective 31 December 2014
- Michael Langtree, Former Group Chief Information Officer, resigned 23 November 2014
- Ross Robinson, Former Head of Enterprise, resigned 16 April 2015

In addition, the position of CFO is a KMP, however as at 30 June 2015 a permanent appointment had not been made for this position. While an interim appointment was in place, this was on a contract basis and therefore not a KMP for the purposes of this report.

In 2015, the company implemented a new organisation structure to reflect its new size and operations. As a result, several positions formerly classified as KMPs do not exist within the new structure. This includes the positions of CEO, Higher Education Division, CEO Vocational Education and Training, Group Chief Information Officer and Head of Enterprise. This remuneration report outlines the remuneration of each of the above KMPs.

### ***Remuneration governance and principles used to determine the nature and amount of remuneration***

#### ***Remuneration governance***

The Board of Directors (the 'Board') objective for the consolidated entity's remuneration strategy is that it aligns executive remuneration with the achievement of strategic objectives, drives performance and the right behaviours and delivers the creation of value for shareholders.

Importantly, the Board is focussed on delivering a remuneration framework that attracts and retains the right executive team and that their remuneration arrangements support achievement of the company's strategy as well as growth in shareholder value.

The Board has formed a Nomination and Remuneration Committee ('NRC'), comprising solely of Independent Non-executive directors to make recommendations to the Board.

The members of the NRC during the financial year ended 30 June 2015 were:

Michelle Tredenick (Chair)

Doug Halley

Steve Tucker

John Dawkins (resigned 26 November 2014)

Refer to 'Meetings of Directors' for number of NRC meetings held during the financial year and those who attended.

The Board has a formal NRC Charter which sets out the responsibilities, composition and meeting rules of the NRC. The NRC is responsible for reviewing and making recommendations in relation to director and executive remuneration.

Further information on the NRC's role and responsibilities are contained in its Charter which is available on the company's website at [www.vocation.com.au/investors](http://www.vocation.com.au/investors).

To assist in performing its duties and making recommendations to the Board, the NRC seeks independent advice directly from external consultants on various remuneration related matters. The NRC follows protocols around the engagements and use of external consultants to ensure compliance with the relevant executive remuneration legislation.

The Chair of the NRC approved the engagement of PricewaterhouseCoopers ('PwC') to provide information and market practice regarding remuneration benchmarking and appropriate incentives in FY15. During the year ended 30 June 2015, PwC did not make any 'remuneration recommendations' in relation to KMP remuneration as defined in the Corporations Act. No other remuneration consultant was engaged to make any remuneration recommendations.

In accordance with best practice corporate governance, the remuneration structure for Non-executive directors' and executives are different.

#### ***Non-executive directors' remuneration***

The Board seeks to set fees for non-executive directors at a level which provides the consolidated entity with the ability to attract and retain directors of a high calibre, whilst incurring a cost which is acceptable to shareholders. Non-executive director remuneration consists only of fixed fees (inclusive of superannuation).

To preserve independence and impartiality, non-executive directors do not receive any performance related compensation.

Fees for non-executive directors are set and approved by the Board based on independent advice received from external remuneration consultants, via the NRC. There has been no change to non-executive director remuneration since listing in December 2013.

ASX listing rules require the aggregate non-executive directors' remuneration be determined periodically by a general meeting. Under the company's constitution, total aggregate remuneration available to non-executive directors is set currently at a maximum of \$1,000,000 per annum, excluding share-based payments. The current fee policy is set out as follows:

Role	Fee
Chairman fee	\$200,000
Director base fee	\$100,000
Committee Chair (Nomination and Remuneration Committee, Audit and Risk Committee and Investment Committee*)	\$20,000

\* Note the Investment Committee is currently suspended (from 16 June 2015) and Committee Chair fees are not being paid in respect of this Committee.

During FY15, the non-executive directors were required to perform significant additional work for the company's benefit in considering and directing the company's response and handling of the issues arising in connection with the DEECD settlement. The additional time spent by each of the non-executive directors has been recorded and notified in writing to the company. The total potential amount payable to the directors may be up to 100% of the current annual fees. The non-executive directors have confirmed that they have no current intention of making a claim for these monies but may do so in future if the company:

- recovers to a position where it can afford payment, or
- is subject to a change of control event, such as a takeover offer.

As neither of these events are certain, it is not clear that payment will ever be made.

In addition, if a director ceases to be a director, a claim may be made.

#### *Executive remuneration framework for FY16*

In 2015, the NRC reviewed the consolidated entity's executive remuneration framework for FY16. The review took account of the changes in the business and used the following guiding principles as a base:

- To ensure that executive remuneration is fair, market-based, and sufficient to attract and retain a strong leadership team; and
- To ensure alignment with long-term performance and shareholders' interests through appropriate equity ownership.

#### CEO and Managing Director

The CEO and Managing Director's remuneration includes:

- Total Fixed Remuneration ('TFR'): TFR includes fixed remuneration, statutory superannuation and allowances. The CEO and Managing Director is also able to elect to have other benefits provided out of his fixed remuneration, including additional superannuation and the provision of a motor vehicle and mobile phone allowance (any other benefits will form part of the overall TFR, not in addition to). Fixed remuneration is set against market benchmarks and will be reviewed annually.
- At Risk Incentives by way of Performance Rights (subject to Shareholder Approval) as detailed in the table below. The at-risk Performance Rights act as a retention tool and an incentive to outperform. The vesting is subject to continuing employment and the exercise price has been set at a level to ensure alignment with shareholder interests. The Performance Rights subject to an exercise price will only realise value to the CEO and Managing Director should the share price rise to above the level of the exercise price, thereby aligning with shareholder interests. There will be no cash bonuses available to the CEO and Managing Director at the current time.

For the CEO and Managing Director, 43% of his FY15 remuneration was fixed, 19% of his FY15 remuneration was at risk in relation to short term incentives (for services as CFO) and 38% of his FY15 remuneration was at risk in relation to long term incentives.



Tranche	Number	Exercise price	Vesting date	Expiry date	Service condition
		Nil	On grant*	1 May 2016	Immediate vesting following grant immediately following shareholder approval
1	2,750,000				
2	1,000,000	\$ 0.25	1 May 2016*	1 May 2017	Subject to continued employment with the consolidated entity to 1 May 2016
3	1,000,000	\$ 0.50	1 May 2016*	1 May 2017	Subject to continued employment with the consolidated entity to 1 May 2016
4	2,000,000	30 day VWAP to 1 May 2017	1 May 2017*	1 May 2018	Subject to continued employment with the consolidated entity to 1 May 2017
5	2,000,000	30 day VWAP to 1 May 2018	1 May 2018*	1 May 2019	Subject to continued employment with the consolidated entity to 1 May 2018
<b>Total</b>	<b>8,750,000</b>				

\* Note grant of Performance Rights is subject to shareholder approval.

#### Other executives

The executive remuneration framework for FY16 (excluding the CEO and Managing Director) includes:

- TFR: TFR includes fixed remuneration, statutory superannuation and allowances. Executives are also able to elect to have other benefits provided out of their fixed remuneration, including additional superannuation and the provision of a motor vehicle and mobile phone allowance. Fixed remuneration is set by benchmarking against the relevant categories of market data. Fixed remuneration is reviewed on an annual basis in line with individual and the consolidated entity's performance and alignment to market remuneration levels.
- At risk incentives: Cash bonuses will not be paid during FY16, at risk incentives will be paid via Performance Rights as follows:
  - 10% of TFR will be granted as Performance Rights which will vest 12 months after Grant Date, subject to still being employed by the consolidated entity;
  - Between 0% and 15% of TFR, with the proportion determined specifically for each position, granted as Performance Rights which will vest 12 months after Grant Date, subject to achieving specific Key Performance Indicators ('KPIs'). The KPIs are set individually for each role and include financial and non-financial metrics both for consolidated entity and for the individual role; and
  - The number of Performance Rights to be issued will be calculated by reference to a 30 day Volume Weighted Average Share Price and no exercise price will be payable.

These incentives, which are at risk, specifically work to motivate and retain key executives and reward outperformance. The Performance Rights will be at risk until vesting and only have one test date. There is no re-testing available.

In addition, specific payments in the form of Performance Rights may be used if necessary to attract the right individual for the role.

The NRC aimed to find a balance between fixed and at-risk remuneration to meet the guiding principles.

#### *Other Remuneration Elements*

#### Clawback

The Board approved a Clawback policy which applies to all grants of Performance Rights from July 2014. The Board has an on-going and absolute discretion to clawback unvested awards if a clawback event was to occur. The Board may determine that adverse events or outcomes (in particular not meeting guidance and share price performance) that have arisen constitute a clawback event that should impact on a participant's award.

The Board has absolute discretion in relation to determining the clawback amount, including the option to reduce the number of awards to a lower level, or to zero.

#### Hedging and margin lending prohibition

As specified in the company's Securities Trading Policy, directors and senior executives must not enter into agreements that provide lenders with rights over their interests in the company's securities (e.g. for the disposal of Vocation Securities or options that is the result of a secured lender exercising their rights under a margin lending agreement). In addition, directors and senior executives are not permitted to enter into transactions with Securities (or any derivative thereof) in associated products which limit the economic risk of any unvested entitlements under any equity-based remuneration schemes currently in operation or which will be offered by the company in the future.

#### *Executive Remuneration for FY15*

Executive remuneration for FY15 was made up of the following components:

##### 1. Fixed remuneration

Fixed remuneration consisted of base compensation and statutory superannuation contributions. Executives were able to elect to have other benefits provided out of their fixed remuneration, including additional superannuation and the provision of a motor vehicle allowance. All executives received fixed remuneration.

##### 2. Short-Term incentives ('STI')

The Board determined that select STIs, by way of cash bonus, be paid during the year ended 30 June 2015 as follows:

*Stewart Cummins* – for his role as Interim CFO, in recognition of performance in his role as Interim CFO, and the critical role that he played in negotiating the sale of Endeavour Learning Group Pty Ltd, Australian College of Natural Medicine Pty Ltd and Australian School of Management Pty Ltd.

*Carolyn Barker* – as a retention incentive to facilitate the sale of the Endeavour Learning Group business prior to 30 June 2015.

*Mark Hutchinson* - Mark was awarded an STI payment for FY14 as detailed in the IPO prospectus and 2014 Remuneration Report. Mr Hutchinson voluntarily forfeited his FY14 payment during FY15.

No other KMP were paid incentives in FY15, consistent with the company's performance

The amount of cash incentives paid, as detailed above, are shown in the tables on within 'Details of remuneration' section below.

##### 3. Long-term incentives

One executive received grants under the long-term incentive plan in FY15 as follows:

*Carolyn Barker*. Carolyn was granted 620,000 Performance Rights in FY2015 over two tranches. Each tranche was subject to tenure and performance conditions. On the sale of the Endeavour Learning Group Pty Ltd Carolyn's employment ceased with the consolidated entity. The NRC decided to trigger the lapse of 580,000 of the Performance Rights and allow immediate vesting and exercise 40,000 of Performance Rights. The NRC used its discretion to vest 40,000 Performance Rights in recognition of her individual performance and the performance of the Higher Education business. The 40,000 Performance Rights vested was calculated by reference to it being one-third of the 120,000 of the Performance Rights approved on Carolyn's appointment which had a 3 year vesting period. Carolyn had satisfactorily completed almost 1 year of the 3 year vesting period.

**Relationship between remuneration policy and company performance**

Incentives are offered to align executives' interests with those of the shareholders as detailed above. The only performance rights to vest in FY15 were 6.5% of Carolyn Barker's Performance Rights granted in FY15 (i.e. 40,000 from 620,000 granted). As required by the Corporations Act, below is a summary of the company's performance since listing.

	FY15 \$'000	FY14 \$'000
Total revenue	96,400	110,414
Statutory net loss before taxation	(301,400)	(2,281)
Statutory net loss after taxation	(300,300)	(3,481)
Dividend paid	6,493	9,510

**Details of remuneration**

The table below provides the statutory remuneration disclosures for the directors and other KMP for the year ended 30 June 2015. Comparisons with 2014 are set out below.

**Current KMP**

	Cash salary and fees	Short-term benefits STI	Non- monetary	Post- employment benefits Super- annuation	Long-term benefits Employee leave	Share-based payments Performance rights	Total
2015	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors:</b>							
Doug Halley <sup>1</sup>	151,122	-	-	14,346	-	-	165,468
Steve Tucker	118,702	-	-	11,428	-	-	130,130
Michelle Tredenick	107,896	-	-	10,250	-	-	118,146
<b>Executive Directors:</b>							
Stewart Cummins <sup>2</sup>							
- CEO & MD	97,409	-	1,928	5,000	1,366	307,483 <sup>3</sup>	413,186
Interim CFO	207,707	150,000	3,857	19,087	3,075	-	383,726
	682,836	150,000	5,785	60,111	4,441	307,483	1,210,656

<sup>1</sup> Doug Halley was appointed Chairman on 26 November 2014.

<sup>2</sup> Stewart Cummins was appointed CEO & Managing Director on 1 May 2015. Stewart's remuneration includes remuneration for his appointment as Interim CFO from 10 December 2014 to 30 April 2015.

<sup>3</sup> Note that there have been no Performance Rights granted to Stewart in FY15 as any grant is subject to shareholder approval at the 2015 Annual General Meeting. For accounting purposes, an expense of \$307,483 has been recognised during FY15 in advance of Grant Date as the CEO and Managing Director has already commenced providing the services for these performance rights.

**Former KMP**

	Short-term benefits		Post-employment benefits		Long-term benefits	Share-based payments	
	Cash salary and fees	Other	Other	Super-annuation	Employee leave	Performance rights	Total
2015	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors:</b>							
John Dawkins AO <sup>1</sup>	83,333	-	-	7,406	-	-	90,739
<b>Executive Directors:</b>							
Mark Hutchinson <sup>2</sup>	380,064	(103,201) <sup>7</sup>	-	16,592	-	-	293,455
<b>Other Key Management Personnel:</b>							
Manvinder Gréwal <sup>3</sup>	219,197	-	89,306 <sup>4</sup>	10,436	-	-	318,939
Carolyn Barker <sup>3</sup>	305,586	502,283 <sup>5</sup>	-	76,748	-	6,000 <sup>6</sup>	890,617
Wendy Bonnici <sup>3</sup>	140,360	-	-	11,551	-	-	151,911
Michael Langtree <sup>3</sup>	131,703	-	-	10,513	-	-	142,216
Ross Robinson <sup>3</sup>	273,590	-	-	22,315	-	-	295,905
	<u>1,533,833</u>	<u>399,082</u>	<u>89,306</u>	<u>155,561</u>	<u>-</u>	<u>6,000</u>	<u>2,183,782</u>

<sup>1</sup> John Dawkins resigned as Chairman on 26 November 2014.

<sup>2</sup> Mark Hutchinson resigned on 1 May 2015.

<sup>3</sup> Manvinder Gréwal employment was terminated on 31 December 2014, Carolyn Barker ceased employment on 29 April 2015, Wendy Bonnici resigned on 5 December 2014; Michael Langtree resigned on 23 November 2014 and Ross Robinson resigned on 16 April 2015.

<sup>4</sup> Notice payment made on termination of Manvinder Gréwal's employment.

<sup>5</sup> Payment made as a retention incentive to facilitate the sale of the Endeavour Learning Group Pty Limited business prior to 30 June 2015.

<sup>6</sup> Value of Performance Rights has been calculated as \$6,000. Further details regarding Performance Rights issued.

<sup>7</sup> Mark Hutchinson was awarded an STI payment for FY14 as detailed in the IPO prospectus and 2014 Remuneration Report. Mark Hutchinson voluntarily forfeited his FY14 payment during FY15.

		Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	STI	Non-monetary	Super-annuation	Employee benefits	Equity-settled	Total
2014	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors**:</b>							
John Dawkins							
AO	98,580	-	-	9,117	-	750,000	857,697
Steve Tucker	54,149	-	-	5,009	-	225,000	284,158
Michelle Tredenick	59,148	-	-	5,471	-	225,000	289,619
Douglas Halley	59,148	-	-	5,471	-	225,000	289,619
<b>Executive Directors:</b>							
Mark Hutchinson	214,242	103,201	16,397	10,903	3,441	-	348,184
<b>Other Key Management Personnel:</b>							
Manvinder Gréwal	193,039	96,451	10,721	10,720	3,216	1,603,774	1,917,921
Wendy Bonnici*	96,619	-	1,645	8,244	4,887	-	111,395
Michael Langtree*	96,619	-	2,158	8,244	3,587	-	110,608
	871,544	199,652	30,921	63,179	15,131	3,028,774	4,209,201

\* Total remuneration for Wendy Bonnici and Michael Langtree as KMPs of BAWM Pty Limited for the period from 1 July 2013 to 9 December 2013 was \$69,014 each.

\*\* Non-executive directors were appointed in December 2013.

#### Service agreements

The details below sets out the main terms and conditions of the employment contracts of the CEO and Managing Director, the only KMP in permanent employment as at 30 June 2015.

Name:	Stewart Cummins
Title:	Chief Executive Officer and Managing Director
Term of agreement:	No fixed term – subject to termination provisions detailed below
Details:	Annual remuneration of \$600,000, inclusive of statutory superannuation Incentives – Performance Rights offered pursuant to the Vocation Performance Rights Plan and subject to shareholder approval at the 2015 Annual General Meeting
Termination:	By the company: Without notice immediately with cause; With Notice – 6 months' notice. The company may elect to make a payment of fixed remuneration in lieu of part of or the whole of the notice period By Mr Cummins: 6 months' notice Non-compete and non-solicitation period of up to 12 months

#### Share-based compensation and performance rights

##### Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2015.

##### Options

There were no options over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2015.

There were no options over ordinary shares granted to or vested by directors and other KMP as part of compensation during the year ended 30 June 2015.

*Performance rights*

There were no performance rights over ordinary shares issued to directors and other KMP as part of compensation that were outstanding as at 30 June 2015.

The table below shows Performance Rights issued and vested for each of 2014 and 2015 under the Vocation Performance Rights Plan as described earlier in this report.

Name	Number of rights granted* during the year 2014	Number of rights vested during the year 2014	Number of rights granted during the year 2015	Number of rights vested during the year 2015	Number of rights lapsed during the year 2015
Doug Halley	158,730	158,730	Nil	Nil	Nil
Stewart Cummins***	N/A	N/A	Nil	Nil	Nil
Michelle Tredenick	158,730	158,730	Nil	Nil	Nil
Steve Tucker	158,730	158,730	Nil	Nil	Nil
John Dawkins AO	529,101	529,101	Nil	Nil	Nil
Mark Hutchinson	Nil	Nil	Nil	Nil	Nil
Manvinder Gréwal	998,303	998,303	Nil	Nil	Nil
Carolyn Barker	Nil	Nil	620,000**	40,000	580,000
Wendy Bonnici	Nil	Nil	Nil	Nil	Nil
Michael Langtree	Nil	Nil	Nil	Nil	Nil
Ross Robinson	Nil	Nil	Nil	Nil	Nil

\* Granted at date of IPO

\*\* See details regarding grant, lapse and vesting in the section 'Shares issued on the exercise of performance rights'

\*\*\* Note that there have been no Performance Rights granted to Stewart Cummins in FY15 as any grant is subject to shareholder approval at the 2015 Annual General Meeting. The Performance Rights that will be granted following shareholder approval are detailed above. For accounting purposes, an expense of \$307,483 has been recognised during FY15 in advance of Grant Date as the CEO and Managing Director has already commenced providing the services for these performance rights.

**Additional disclosures relating to KMP**

In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'Key management personnel equity instrument disclosures', the following disclosures relates only to equity instruments in the Company or its subsidiaries.

*Shareholding*

The number of shares in the Company held during the financial year by each director and other KMP (as at 30 June 2015) of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received on vesting of performance rights	Other Changes*	Balance at the end of the year
<b>Ordinary shares</b>				
Doug Halley	408,730	-	220,000	628,730
Stewart Cummins	-	-	-	-
Steve Tucker	347,465	-	200,000	547,465
Michelle Tredenick	258,730	-	56,603	315,333
	<u>1,014,925</u>	<u>-</u>	<u>476,603</u>	<u>1,491,528</u>

\* Each of these were fully paid ordinary shares purchased by the individual on market

*Other transactions*

There were no other reportable transactions.

***This concludes the remuneration report, which has been audited.***

#### **Indemnity and insurance of officers**

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### **Proceedings on 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.

#### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 29 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 29 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

#### **Officers of the company who are former partners of PricewaterhouseCoopers**

There are no officers of the company who are former audit partners of PricewaterhouseCoopers.

#### **Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

#### **Auditor**

PricewaterhouseCoopers continues in office in accordance with section 327 of the Corporations Act 2001.

**Vocation Limited  
Directors' report  
30 June 2015**



This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'D. Halley', written over a horizontal line.

Douglas Halley  
Chairman

31 August 2015  
Sydney





## Auditor's Independence Declaration

As lead auditor for the audit of Vocation Limited 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.

This declaration is in respect of Vocation Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Steve Bourke', with a horizontal line extending to the right.

Steve Bourke  
Partner  
PricewaterhouseCoopers

Sydney  
31 August 2015

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## General information

The financial statements cover Vocation Limited as a consolidated entity consisting of Vocation Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Vocation Limited's functional and presentation currency.

Vocation Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 15, 1 Pacific Highway  
North Sydney, NSW 2060

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2015. The directors have the power to amend and reissue the financial statements.

Vocation Limited  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2015



	Note	Consolidated 2015 \$'000	2014 \$'000 (restated)
<b>Revenue from continuing operations</b>	5	33,273	28,059
<b>Expenses</b>			
Staff and contractor costs		(23,894)	(9,876)
Course delivery costs		(9,122)	(5,029)
Depreciation and amortisation expense	6	(6,166)	(2,873)
Impairment of intangible assets	6	(137,767)	-
External student acquisition costs		(3,078)	(3,523)
Occupancy costs		(3,256)	(371)
IPO and transactions costs		-	(14,748)
Share-based payments		(313)	(3,706)
Other expenses	6	(21,550)	(6,180)
Finance costs	6	(4,711)	(180)
<b>Loss before income tax (expense)/benefit from continuing operations</b>		(176,584)	(18,427)
Income tax (expense)/benefit	7	(502)	6,222
<b>Loss after income tax (expense)/benefit from continuing operations</b>		(177,086)	(12,205)
<b>(Loss)/profit after income tax (expense)/benefit from discontinued operations</b>	8	(123,192)	8,724
<b>Loss after income tax expense for the year attributable to the owners of Vocation Limited</b>	24	(300,278)	(3,481)
Other comprehensive income for the year, net of tax		-	-
<b>Total comprehensive income for the year attributable to the owners of Vocation Limited</b>		<u>(300,278)</u>	<u>(3,481)</u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(177,086)	(12,205)
Discontinued operations		<u>(123,192)</u>	<u>8,724</u>
		<u>(300,278)</u>	<u>(3,481)</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for loss from continuing operations attributable to the owners of Vocation Limited</b>			
Basic earnings per share	40	(78.80)	(8.14)
Diluted earnings per share	40	(78.80)	(8.13)
<b>Earnings per share for (loss)/profit from discontinued operations attributable to the owners of Vocation Limited</b>			
Basic earnings per share	40	(54.82)	5.82
Diluted earnings per share	40	(54.82)	5.82
<b>Earnings per share for loss attributable to the owners of Vocation Limited</b>			
Basic earnings per share	40	(133.62)	(2.32)
Diluted earnings per share	40	(133.62)	(2.32)

Refer to note 3 for detailed information on restatement of comparatives.

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes*

Vocation Limited  
Statement of financial position  
As at 30 June 2015



		Consolidated	
	Note	2015 \$'000	2014 \$'000 (restated)
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	10,221	21,745
Trade and other receivables	10	12,454	36,777
Total current assets		<u>22,675</u>	<u>58,522</u>
<b>Non-current assets</b>			
Property, plant and equipment	11	984	2,340
Intangibles	12	10,852	253,792
Total non-current assets		<u>11,836</u>	<u>256,132</u>
<b>Total assets</b>		<u>34,511</u>	<u>314,654</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	21,943	41,001
Borrowings	14	11,048	72
Income tax	15	2,597	443
Employee benefits	16	643	1,296
Provisions	17	9,117	11,989
Deferred revenue	18	2,656	2,776
Total current liabilities		<u>48,004</u>	<u>57,577</u>
<b>Non-current liabilities</b>			
Borrowings	19	-	42,593
Derivative financial instruments	20	-	2,460
Deferred tax	21	-	56
Total non-current liabilities		<u>-</u>	<u>45,109</u>
<b>Total liabilities</b>		<u>48,004</u>	<u>102,686</u>
<b>Net assets/(liabilities)</b>		<u>(13,493)</u>	<u>211,968</u>
<b>Equity</b>			
Issued capital	22	302,944	221,442
Reserves	23	(1,412)	(1,220)
Accumulated losses	24	(315,025)	(8,254)
<b>Total equity/(deficiency)</b>		<u>(13,493)</u>	<u>211,968</u>

Refer to note 3 for detailed information on restatement of comparatives.

The above statement of financial position should be read in conjunction with the accompanying notes

Vocation Limited  
Statement of changes in equity  
For the year ended 30 June 2015



Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits/ Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2013	-	-	4,737	4,737
Profit after income tax expense for the year as previously reported	-	-	8,272	8,272
Adjustment for correction of error (note 3)	-	-	(11,753)	(11,753)
Loss after income tax (expense)/benefit for the year – restated	-	-	(3,481)	(3,481)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,481)	(3,481)
<b>Transactions with owners in their capacity as owners:</b>				
IPO and capital re-organisation (note 22)	221,442	(1,685)	-	219,757
Share-based payments (note 23)	-	465	-	465
Dividends paid (note 25)	-	-	(9,510)	(9,510)
Balance at 30 June 2014	221,442	(1,220)	(8,254)	211,968

Refer to note 3 for detailed information on restatement of comparatives.

Consolidated	Issued capital \$'000	Reserves \$'000	Accumulated losses \$'000	Total deficiency \$'000
Balance at 1 July 2014	221,442	(1,220)	(8,254)	211,968
Loss after income tax (expense)/benefit for the year	-	-	(300,278)	(300,278)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(300,278)	(300,278)
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs (note 22)	81,502	-	-	81,502
Capital re-organisation (note 23)	-	(505)	-	(505)
Share-based payments (note 23)	-	313	-	313
Dividends paid (note 25)	-	-	(6,493)	(6,493)
Balance at 30 June 2015	302,944	(1,412)	(315,025)	(13,493)

The above statement of changes in equity should be read in conjunction with the accompanying notes

Vocation Limited  
Statement of cash flows  
For the year ended 30 June 2015



Note	Consolidated	
	2015 \$'000	2014 \$'000 (restated)
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	126,558	113,386
Payments to suppliers and employees (inclusive of GST)	(151,050)	(95,042)
	(24,492)	18,344
Interest received	453	151
Interest and other finance costs paid	(4,753)	(22)
Income taxes refunded/(paid)	327	(4,459)
Net cash from/(used in) operating activities	38 (28,465)	14,014
<b>Cash flows from investing activities</b>		
Payment for purchase of business, net of cash acquired	34 (85,198)	(163,330)
Payments for property, plant and equipment	11 (2,707)	(1,223)
Payments for intangibles	12 (1,507)	(1,982)
Net proceeds from disposal of businesses	8 72,092	-
Net cash used in investing activities	(17,320)	(166,535)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	22 74,000	149,675
Share issue transaction costs	(1,570)	(9,147)
Proceeds from borrowings	77,324	42,519
Repayment of borrowings	(109,000)	-
Dividends paid	25 (6,493)	(9,510)
Net cash from financing activities	34,261	173,537
Net increase/(decrease) in cash and cash equivalents	(11,524)	21,016
Cash and cash equivalents at the beginning of the financial year	21,745	729
Cash and cash equivalents at the end of the financial year	9 10,221	21,745

Refer to note 3 for detailed information on restatement of comparatives.

The above statement of cash flows should be read in conjunction with the accompanying notes

## Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The following being most relevant to the consolidated entity:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C)

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### Going concern

At 30 June 2015 the consolidated entity had net current liabilities of \$25,329,000 (2014: net current assets of \$945,000), net liabilities of \$13,493,000 (2014: net assets of \$211,968,000) and during the year recorded a loss after income tax of \$300,278,000 (2014: \$3,481,000 loss) and net cash outflow from operating activities of \$28,465,000 (2014: net cash inflow of \$14,014,000).

At 30 June 2015, the consolidated entity had debt facilities totalling \$11,000,000 (fully utilised) with Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation (the 'MLAs'). As a consequence of its operating results for the financial year ended 30 June 2015, the consolidated entity was in default under the terms of its existing debt facilities with the MLAs and the whole of the consolidated entity's borrowings have accordingly been classified as current liabilities in these financial statements. Subsequent to financial year end, the consolidated entity completed negotiations with the MLAs to amend the terms of its existing debt facilities.

The amended Facilities Agreement was signed with the MLAs on 31 July 2015 and effective from 4 August 2015, and followed the completion of the consolidated entity's strategic review process. The amended terms of the debt facilities will provide increased stability for the consolidated entity's future business activities. Refer to note 19 for further details.

During the second half of the financial year, the consolidated entity streamlined its business portfolio to better align with its capital structure and was able to reduce its gross debt from \$85,000,000 as at 31 December 2014 to the current level of \$11,000,000, mainly through asset sales.

The consolidated entity's net debt position (being gross debt of \$11,048,000 less cash of \$10,221,000) as at 30 June 2015 was \$827,000.

The consolidated entity has a clearly defined, five point turnaround plan outlined below to guide its recovery over the next two to three years:

- Revitalise the management team to drive the turnaround;
- Revise the course offering around the 6 key product streams and re-grow the business;
- Integrate systems and processes for improved control and efficiency;
- Prioritise internal and external quality control and compliance; and
- Harmonise the 'go to market' brands of the operating businesses.

#### **Note 1. Significant accounting policies (continued)**

At the same time, the consolidated entity will continue to manage a variety of legal and regulatory risks as it works through the turnaround plan.

Future profitability and cash flows will benefit from an intense focus on executing the turnaround plan. The viability of the consolidated entity and its ability to continue as a going concern and meet its commitments as they fall due is dependent upon the consolidated entity successfully implementing the turnaround plan, proactively managing cash flows, achieving favourable outcomes for the contingent liability matters described in note 30, and being able to raise additional funds as needed.

Given the reduction in the debt facility and changes in the covenants, management has assessed the funding requirements of the streamlined business in terms of both working capital requirements and to satisfy legacy issues. Based on this assessment, the consolidated entity is currently exploring additional funding options and believes that it has a number of potential sources (including debt, equity or hybrid funding) available to it in order to support its turnaround.

In considering all of the above mentioned factors, the Directors are of the opinion that the consolidated entity has the intent and ability to continue as a going concern and accordingly, have prepared the financial statements on a going concern basis. Furthermore, the Directors are of the opinion that the contingent liability matters will be satisfactorily resolved.

Notwithstanding this belief, there is a risk that the consolidated entity may not be successful in implementing these initiatives or the implementation of alternative options which may be available to the consolidated entity. As a result of these matters, there are material uncertainties that may cast significant doubt on the consolidated entity's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention except for the revaluation of derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 33.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Vocation Limited ('company' or 'parent entity') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Vocation Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.



#### **Note 1. Significant accounting policies (continued)**

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of common control subsidiaries is accounted for using the pooling of interest method of accounting. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

The trust formed to administer the consolidated entity's employee share schemes is consolidated, as the substance of the relationship is that the trust is controlled by the consolidated entity. Shares held by the employee share trust are disclosed as treasury shares and deducted from contributed equity.

#### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Maker ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance. The CODM has been identified as the Executive Committee.

#### **Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

#### *Rendering of services*

Revenue from education and training services is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided. This is usually measured with reference to the number of units completed by a student as a proportion of the total number of units for a training course.

Where there is some uncertainty that the economic benefit associated with the training service will flow to the consolidated entity, recognition of the revenue is deferred and included within deferred revenue in current liabilities until the uncertainty is removed.

If circumstances arise that may change the original estimates of revenues or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues and are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

#### **Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the taxation authorities.

## Note 1. Significant accounting policies (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Vocation Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'stand-alone taxpayer' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax assets or liabilities and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

The wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to it under the tax consolidation legislation. These amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

Assets or liabilities arising with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. This ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member.

### Discontinued operations

A discontinued operation is a component of the consolidated entity that has been closed, disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to close or dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income. Refer to note 8 for further details.

### Reclassification

Comparative figures in the statement of profit or loss and other comprehensive income have been reclassified to conform to the current year presentation of the discontinued operations.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

#### Note 1. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

##### **Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

##### **Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

##### **Property, plant and equipment**

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-5 years
Plant and equipment	3-7 years
Motor vehicles	2-5 years
Computer equipment	2-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

##### **Leases**

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## Note 1. Significant accounting policies (continued)

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

#### *Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

#### *Intellectual property and curriculum - course material development costs*

Significant costs associated with intellectual property are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of five years.

Costs relating to developing curriculum and other materials for specific training courses that will contribute to future period financial benefits through revenue generation, are capitalised and amortised over five years.

#### *Customer contracts and relationships*

Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their estimated useful life of between three to five years.

#### *Software and licence fees*

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project.

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful lives of between three to five years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the consolidated entity has an intention and ability to use the asset.

### Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed 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 carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

## **Note 1. Significant accounting policies (continued)**

### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

### **Borrowings**

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

### **Put/call options**

During the prior financial year, the consolidated entity acquired 50% interest in Australian School of Management Pty Ltd. The shareholders of the other 50% held a put option and the consolidated entity has a call option. The consolidated entity did not record a non-controlling interest in accordance with AASB 10 'Consolidated Financial Statements', but rather recorded the put option as a financial liability in accordance with AASB 132 'Financial Instruments: Presentation', measured at the estimated net present value of the expected exercise price of the put option, with subsequent changes in the recognised value recorded in the profit or loss. The call options had nominal value and have not been recognised.

During the financial year the consolidated entity exercised the put/call option and acquired the remaining 50% of the subsidiary.

### **Finance costs**

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### **Provisions**

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### **Employee benefits**

#### *Short-term employee benefits*

Liabilities for wages and salaries and other employee benefits expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### *Other long-term employee benefits*

Employee benefits not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *Defined contribution superannuation expense*

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Note 1. Significant accounting policies (continued)

### *Share-based payments*

The consolidated entity provides benefits to its employees and directors in the form of share-based payments, whereby employees and directors render services in exchange for shares or rights over shares ('equity settled transactions'). The cost of these equity settled transactions with employees and directors is measured by reference to the fair value of the equity instruments at the date at which they are granted.

The cost of the equity settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled ('vesting period'), ending on the date on which the relevant employees and directors become fully entitled to the award.

At each subsequent reporting date until vesting, the cumulative charge to profit or loss is the product of:

- the grant date fair value of the award;
- the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and
- the expired portion of the vesting period.

The charge to profit or loss for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

### *Profit-sharing and bonus plans*

The consolidated entity recognises a liability and an expense for profit-sharing and bonuses based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The consolidated entity recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### **Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### **Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### **Dividends**

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

## Note 1. Significant accounting policies (continued)

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Where settlement of any part of the cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rates used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Except for the continuation accounting described below, business combination accounting using the acquisition method has been adopted for the acquisition of the remainder of the subsidiaries and ancillary businesses.

### Internal reorganisations

An internal restructure that represents a common control transaction rather than a business combination is recognised on the basis that the transaction is a form of capital reconstruction and group reorganisation, using the principals of a reverse acquisition.

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Vocation Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Note 1. Significant accounting policies (continued)**

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

**Rounding of amounts**

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2015. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. The consolidated entity will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed. The impact on the consolidated entity is likely to be immaterial.

*AASB 15 Revenue from Contracts with Customers*

This standard is currently applicable to annual reporting periods beginning on or after 1 January 2017 (however Exposure Draft 263 'Effective Date of AASB 15' proposes to defer the application date by one year to 1 January 2018). The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. It is expected that the consolidated entity will adopt this standard from 1 July 2018 (presuming ED 263 is passed) but the impact of its adoption is yet to be assessed. The impact on the consolidated entity is likely to be immaterial.



## Note 1. Significant accounting policies (continued)

Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the consolidated entity as their amendments provide either clarification of existing accounting treatment or editorial amendments. These standards (and their operative dates) include:

- AASB 14 Regulatory Deferral Accounts (from 1 January 2016)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part D from 1 January 2016 and Part E from 1 January 2018)
- AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (from 1 January 2016)
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (from 1 January 2016)
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (from 1 January 2017)
- AASB 2014-6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants (from 1 January 2016)
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (from 1 January 2018)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (from 1 January 2015)
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (from 1 January 2016)
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (from 1 January 2016)
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012–2014 Cycle (from 1 January 2016)
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 (from 1 January 2016)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality (from 1 July 2015)
- 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent (from 1 July 2015)
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception (from 1 January 2016)

## Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Revenue recognition*

The consolidated entity recognises revenue when it is probable that all terms of funding contracts have been satisfied and thus the economic benefit will flow to it and the revenue can be measured reliably. It uses the percentage of completion method to account for its contract revenue. The stage of completion is measured by reference to the progress of a student through a course. In relation to recognition/deferral of revenue, assumptions and judgements are made with regard to compliance with funding contracts taking into account the outcome of regulatory audits, the stages of progression of students and attrition rates during the various stages of progression.

### *Goodwill and other indefinite life intangible assets*

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. Asset values are written down to recoverable amounts if they are being disposed off. The recoverable amounts of cash-generating units that are not being disposed of have been determined based on value in use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows arising from the intended use of assets.

## Note 2. Critical accounting judgements, estimates and assumptions (continued)

### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### *Provisioning for potential claims*

The consolidated entity exercises judgement in recognising and measuring provisions for potential claims and the exposures to contingent liabilities related to pending litigation or other outstanding claims subject to negotiated settlement, mediation, arbitration or government regulation, as well as other contingent liabilities (see note 30 to the consolidated financial statements). Significant judgement is involved in assessing the likelihood that a pending claim may succeed, or whether a liability will arise, and to quantify the possible range of the financial outcome. Due to the inherent uncertainty of these matters, actual outcomes may be different from estimates.

## Note 3. Restatement of comparatives

### *Restatement of revenue and receivables*

In September 2014, two of Vocation's Registered Training Organisations ('RTOs'), Aspin Pty Limited ('Aspin') and BAWM Pty Limited ('BAWM'), were the subject of review by the Victorian Department of Education and Early Childhood Development ('DEECD'). The DEECD's review focused on two qualifications conducted by BAWM and one qualification conducted by Aspin for which the consolidated entity received funding under contracts with the DEECD for the period 1 January 2014 to 27 October 2014. As a result of the review's findings and the ensuing commercial negotiations, it was agreed that the consolidated entity would forfeit \$19,676,000 of funding. As a result of the DEECD settlement and an arguable misinterpretation of facts at the time in relation to the likely quantum of the DEECD settlement, certain revenue has been derecognised and prior period comparatives have been restated.

In light of the settlement, the consolidated entity has reviewed the accounting treatment of all revenue recognised in previous periods to ensure that it was recognised appropriately. This review has necessitated the use of significant judgements and estimates as described in note 2.

As a result of this review the consolidated entity has identified and reversed certain revenue which based on its further analysis is considered not to have met the revenue recognition criteria contained in AASB 118 'Revenue' as at 30 June 2014. The financial effect of the reversal is as follows:

### *Impact on profit or loss and other comprehensive income*

- Decrease in revenue by \$17,964,000
- Decrease in expenses by \$1,174,000
- Decrease in income tax expense of \$5,037,000
- Net decrease in profit/(loss) after income tax expense of \$11,753,000
- Basic and diluted earnings per share decreased by 7.84 cents per share

### *Statement of financial position at the beginning of the earliest comparative period*

When there is a restatement of comparatives, it is mandatory to provide a third statement of financial position at the beginning of the earliest comparative period, being 1 July 2013. However, as there were no adjustments made as at 1 July 2013, the consolidated entity has not shown a restated 1 July 2013 statement of financial position.



**Note 3. Restatement of comparatives (continued)**

*Statement of financial position at the end of the earliest comparative period*

Extract	Consolidated		
	2014 \$'000 Reported	\$'000 Adjustment	2014 \$'000 Restated
<b>Assets</b>			
<b>Current assets</b>			
Trade and other receivables	44,029	(7,252)	36,777
Total current assets	65,774	(7,252)	58,522
<b>Total assets</b>	321,906	(7,252)	314,654
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	43,429	(2,428)	41,001
Income tax	3,630	(3,187)	443
Provisions	23	11,966	11,989
Total current liabilities	51,226	6,351	57,577
<b>Non-current liabilities</b>			
Deferred tax	1,906	(1,850)	56
Total non-current liabilities	46,959	(1,850)	45,109
<b>Total liabilities</b>	98,185	4,501	102,686
<b>Net assets</b>	223,721	(11,753)	211,968
<b>Equity</b>			
Retained profits/(accumulated losses)	3,499	(11,753)	(8,254)
<b>Total equity</b>	223,721	(11,753)	211,968

**Note 4. Operating segments**

*Identification of reportable operating segments*

The consolidated entity's operating segment 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.

Following the sale of ASM and ACAE in March 2015 and Endeavour College of Natural Health ('Endeavour') in April 2015, which represented the Higher Education ('HE') segment, revenues and expenses of the HE segment are included within discontinued operations and the consolidated entity now operates in one segment being a full-service private vocational education and training service ('VET') provider. There are no separate operating segments for which discrete financial information exists.

The information reported to the CODM, on at least a monthly basis, is the consolidated results as shown in the statement of profit or loss and other comprehensive income and statement of financial position.

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



**Note 5. Revenue**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>From continuing operations</b>		
<b>Sales revenue</b>		
Revenue	32,906	27,972
<b>Other revenue</b>		
Interest	367	87
Revenue from continuing operations	<u>33,273</u>	<u>28,059</u>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss before income tax from continuing operations includes the following specific expenses:		
<b>Depreciation</b>		
Leasehold improvements	100	48
Plant and equipment	314	22
Motor vehicles	2	2
Computer equipment	71	15
Total depreciation	487	87
<b>Amortisation</b>		
Intellectual property and curriculum	139	91
Customer contracts and relationships	5,049	2,540
Software	210	123
Licences	281	32
Total amortisation	5,679	2,786
Total depreciation and amortisation	6,166	2,873
<b>Impairment</b>		
Goodwill	124,902	-
Customer contracts and relationships	12,865	-
Total impairment	137,767	-
<b>Other expenses</b>		
Onerous contracts	366	-
Restructuring	2,207	-
Legal fees	4,544	-
Professional and consulting fees	2,409	-
Revenue provisions	5,346	-
Investor relations	417	-
Insurance	313	-
Others	5,948	-
Total other expenses	21,550	-
<b>Finance costs</b>		
Interest and finance charges paid/payable	4,711	180
<b>Rental expense relating to operating leases</b>		
Minimum lease payments	1,938	143
<b>Superannuation expense</b>		
Defined contribution superannuation expense	1,210	249

**Note 7. Income tax benefit**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>(restated)</b>
<b>Income tax benefit</b>		
Current tax	-	5,044
Deferred tax - origination and reversal of temporary differences	(963)	(6,307)
Adjustment recognised in current year in relation to current tax for prior periods	(181)	-
<b>Aggregate income tax benefit</b>	<b>(1,144)</b>	<b>(1,263)</b>
 Income tax benefit is attributable to:		
Loss from continuing operations	502	(6,222)
(Loss)/profit from discontinued operations	(1,646)	4,959
<b>Aggregate income tax benefit</b>	<b>(1,144)</b>	<b>(1,263)</b>
 Deferred tax included in income tax benefit comprises:		
Decrease in deferred tax liabilities (note 21)	(963)	(6,307)
 <b>Numerical reconciliation of income tax benefit and tax at the statutory rate</b>		
Loss before income tax (expense)/benefit from continuing operations	(176,584)	(18,427)
(Loss)/profit before income tax (expense)/benefit from discontinued operations	(124,838)	13,683
	(301,422)	(4,744)
 Tax at the statutory tax rate of 30%	(90,427)	(1,423)
 Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	50	20
Impairment of goodwill	68,240	-
Loss on disposal of subsidiaries	764	-
Share-based payments	94	140
	(21,279)	(1,263)
Adjustment recognised for prior periods	(181)	-
Current year tax losses and temporary differences not recognised	20,316	-
<b>Income tax benefit</b>	<b>(1,144)</b>	<b>(1,263)</b>
 Amounts (credited)/charged in equity:		
Transaction costs on share issue (note 22)	(502)	(2,744)
Franking deficit tax in BAWM Pty Limited (note 23)	505	-

The potential tax benefit from tax losses and temporary differences of \$23,164,000 have not been recognised in the statement of financial position. These tax losses and temporary differences are recognised only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

**Note 8. Discontinued operations**

*Description*

As an outcome of the October 2014 settlement with the DEECD referred to in note 3, BAWM and Aspin agreed to relinquish their Victorian Funding Contracts. Aspin ceased operations in January 2015 and BAWM in February 2015.

**Note 8. Discontinued operations (continued)**

On 1 July 2014, the consolidated entity acquired 100% of the issued share capital of Endeavour Learning Group ('Endeavour'), one of Australia's leading providers of higher education and vocational training in the health and wellness sector. Endeavour was acquired for a total consideration of \$82,738,000 (net of cash acquired). The details and financial impact of this acquisition are disclosed in Note 34. On 29 April 2015, as part of the strategic review, the consolidated entity sold Endeavour for up to \$73,750,000 (after working capital adjustment of \$1,250,000) and recognised a loss on disposal of \$11,885,000.

On 16 March 2015, as part of the strategic review, the consolidated entity sold ASM and ACAE for \$16,300,000 including \$1,000,000 deferred consideration received in full in April 2015 and \$1,000,000 contingent consideration due in March 2016 and recognised a gain on disposal of \$9,793,000.

On 3 June 2015, the consolidated entity sold its non-core business, OzSoft, for \$3,100,000 (net of debt and working capital adjustments) and recognised a loss on disposal of \$453,000.

Accordingly, BAWM, Aspin, Endeavour, ASM, ACAE and OzSoft have been reported in the current and comparative financial year as discontinued operations.

*Financial performance information*

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	61,071	82,443
Interest	91	109
Other revenue	769	-
Total revenue	<u>61,931</u>	<u>82,552</u>
Staff and contractor costs	(32,418)	(26,558)
Course delivery costs	(18,475)	(25,474)
Depreciation and amortisation expense	(6,686)	(843)
Impairment of goodwill and intangible assets	(102,958)	-
External student acquisition costs	(2,362)	(7,477)
Occupancy costs	(9,663)	(2,201)
Other expenses	(11,620)	(6,315)
Finance costs	(42)	(1)
Total expenses	<u>(184,224)</u>	<u>(68,869)</u>
(Loss)/profit before income tax (expense)/benefit	(122,293)	13,683
Income tax (expense)/benefit	1,646	(4,959)
(Loss)/profit after income tax (expense)/benefit	<u>(120,647)</u>	<u>8,724</u>
Loss on disposal before income tax	(2,545)	-
Income tax expense	-	-
Loss on disposal after income tax expense	<u>(2,545)</u>	<u>-</u>
(Loss)/profit after income tax (expense)/benefit from discontinued operations	<u>(123,192)</u>	<u>8,724</u>



**Note 8. Discontinued operations (continued)**

*Carrying amounts of assets and liabilities disposed*

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash and cash equivalents	7,254	-
Trade and other receivables	22,344	-
Inventories	586	-
Other current assets	224	-
Property, plant and equipment	8,784	-
Goodwill and other intangibles	74,375	-
Other non-current assets	2,715	-
<b>Total assets</b>	<b>116,282</b>	<b>-</b>
Trade and other payables	7,803	-
Income in advance	18,418	-
Provisions	5,086	-
Other liabilities	2,084	-
<b>Total liabilities</b>	<b>33,391</b>	<b>-</b>
<b>Net assets</b>	<b>82,891</b>	<b>-</b>

*Details of the disposal*

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Total sale consideration	83,150	-
Carrying amount of net assets disposed	(82,891)	-
Disposal costs	(2,804)	-
<b>Loss on disposal before tax income</b>	<b>(2,545)</b>	<b>-</b>
Income tax expense	-	-
<b>Loss on disposal after income tax</b>	<b>(2,545)</b>	<b>-</b>

The total sale consideration includes cash received of \$82,150,000 and contingent consideration of \$1,000,000.

**Note 9. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	8,678	21,531
Cash on deposit *	1,543	214
<b>Total</b>	<b>10,221</b>	<b>21,745</b>

\* Cash on deposit includes restricted cash of \$1,543,000 (2014: \$144,000).





**Note 10. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>(restated)</b>
Trade receivables	2,538	8,578
Less: Provision for impairment of receivables	(297)	(120)
	<u>2,241</u>	<u>8,458</u>
Other receivables	3,574	2,898
Prepayments	2,322	1,608
Accrued revenue	4,019	23,137
Deposits paid	298	415
Receivable from related parties	-	261
	<u>12,454</u>	<u>36,777</u>

*Impairment of receivables*

The consolidated entity has recognised a loss of \$177,000 (2014: \$120,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2015.

The ageing of the impaired receivables provided for above are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Over 6 months overdue	<u>297</u>	<u>120</u>

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

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	120	-
Additional provisions recognised	<u>177</u>	<u>120</u>
Closing balance	<u>297</u>	<u>120</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$1,406,000 as at 30 June 2015 (\$1,614,000 as at 30 June 2014).

The consolidated entity did not consider that there is a credit risk on the aggregate balances after reviewing credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
0 to 3 months overdue	549	985
3 to 6 months overdue	<u>857</u>	<u>629</u>
	<u>1,406</u>	<u>1,614</u>

**Note 11. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Leasehold improvements - at cost	981	923
Less: Accumulated depreciation	(324)	(50)
	<u>657</u>	<u>873</u>
Plant and equipment - at cost	575	1,507
Less: Accumulated depreciation	(352)	(494)
	<u>223</u>	<u>1,013</u>
Motor vehicles - at cost	90	76
Less: Accumulated depreciation	(49)	(5)
	<u>41</u>	<u>71</u>
Computer equipment - at cost	191	1,069
Less: Accumulated depreciation	(128)	(686)
	<u>63</u>	<u>383</u>
	<u>984</u>	<u>2,340</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Leasehold improvements \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Motor vehicles \$'000</b>	<b>Computer equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	-	342	-	212	554
Additions	497	327	-	399	1,223
Additions through business combinations (note 34)	455	647	76	60	1,238
Write off of assets	(29)	(27)	-	-	(56)
Depreciation expense	(50)	(276)	(5)	(288)	(619)
Balance at 30 June 2014	873	1,013	71	383	2,340
Additions	1,518	802	-	387	2,707
Additions through business combinations (note 34)	4,645	1,918	11	547	7,121
Disposals	(5,555)	(2,526)	(19)	(684)	(8,784)
Depreciation expense	(824)	(984)	(22)	(570)	(2,400)
Balance at 30 June 2015	<u>657</u>	<u>223</u>	<u>41</u>	<u>63</u>	<u>984</u>

**Note 12. Non-current assets - intangibles**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill - at cost	227,468	218,601
Less: Impairment	(227,468)	-
	<u>-</u>	<u>218,601</u>
Intellectual property and curriculum - at cost	7,014	5,334
Less: Accumulated amortisation	(4,607)	(756)
Less: Impairment	(1,548)	-
	<u>859</u>	<u>4,578</u>
Customer contracts and relationships - at cost	26,856	26,982
Less: Accumulated amortisation	(7,000)	(1,966)
Less: Impairment	(10,213)	-
	<u>9,643</u>	<u>25,016</u>
Software - at cost	3,004	3,933
Less: Accumulated amortisation	(1,908)	(445)
Less: Impairment	(1,096)	-
	<u>-</u>	<u>3,488</u>
Licences - at cost	951	2,221
Less: Accumulated amortisation	(201)	(112)
Less: Impairment	(400)	-
	<u>350</u>	<u>2,109</u>
	<u>10,852</u>	<u>253,792</u>

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Goodwill</b>	<b>Intellectual</b>	<b>Customer</b>	<b>Software</b>	<b>Licences</b>	<b>Total</b>
	<b>\$'000</b>	<b>property</b>	<b>contracts</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
		<b>and</b>	<b>and</b>			
		<b>curriculum</b>	<b>relationships</b>			
		<b>\$'000</b>	<b>\$'000</b>			
Balance at 1 July 2013	-	24	-	8	789	821
Additions	-	1,652	-	246	84	1,982
Additions through business combinations (note 34)	218,601	3,582	26,982	3,679	1,241	254,085
Amortisation expense	-	(680)	(1,966)	(445)	(5)	(3,096)
Balance at 30 June 2014	218,601	4,578	25,016	3,488	2,109	253,792
Additions	-	841	-	20	646	1,507
Additions through business combinations (note 34)	67,513	1,525	-	2,005	10,062	81,105
Disposals	(58,646)	(686)	(111)	(2,954)	(11,978)	(74,375)
Impairment of assets	(227,468)	(1,548)	(10,213)	(1,096)	(400)	(240,725)
Amortisation expense	-	(3,851)	(5,049)	(1,463)	(89)	(10,452)
Balance at 30 June 2015	<u>-</u>	<u>859</u>	<u>9,643</u>	<u>-</u>	<u>350</u>	<u>10,852</u>

**Note 12. Non-current assets - intangibles (continued)**

*Impairment of goodwill and other intangibles*

*(i) Key assumptions used for value-in-use calculations*

The consolidated entity tests whether goodwill has suffered any impairment on an annual basis, or more frequently if required. The recoverable amount of a cash generating unit ('CGU') is determined based on value-in-use ('VIU') calculations which reflect the intended use of the assets within the CGU and require the use of assumptions.

The calculations are based on Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA') sourced from management approved forecasts for 2016, extended to five years and then terminal growth rates applied as stated below.

	Growth (yrs 2-5)	Terminal growth rate	Discount rate
VET	0.0%	0.0%	17.1%
Higher Education (HE)	5.4%*	2.5%	14.6%

\*Sourced from Independent Industry Report

The annual impairment assessment was performed in December 2014 which resulted in an impairment of \$240,725,000. (See below for details).

*(ii) Impairment charge*

Of the total impairment charge of \$240,725,000, \$228,725,000 related to VET as a result of the DEECD settlement, the decision to close down BAWM and Aspin, and the consequent weakening of other parts of the business. The balance of \$12,000,000 related to the strategic review and decision to dispose of the HE business.

As a result of the \$240,725,000 impairment charge and divestment of the HE businesses no goodwill remains in the Group.

*(iii) Impact of possible changes in key assumptions*

As disclosed in note 2, the directors have made judgements and estimates in respect of impairment testing of goodwill and intangibles assets.

The remaining intangible assets consist of existing and ongoing customer relationships and contracts. Should any of those relationships discontinue the remaining carrying value of intangibles may decrease and result in a further impairment charge.

**Note 13. Current liabilities - trade and other payables**

	Consolidated	
	2015	2014
	\$'000	\$'000
		(restated)
Trade payables	6,351	2,467
Contingent consideration (note 34)	-	8,900
Payable to Higher Education and Skills Group ('HESG')	8,000	-
Other payables	7,592	29,634
	<u>21,943</u>	<u>41,001</u>

Refer to note 26 for further information on financial instruments.

**Note 14. Current liabilities - borrowings**

	Consolidated	
	2015	2014
	\$'000	\$'000
Bank loans	11,000	-
Hire purchase	48	72
	<u>11,048</u>	<u>72</u>

Refer to note 19 for further information on assets pledged as security and financing arrangements.

Refer to note 26 for further information on financial instruments.

**Note 15. Current liabilities - income tax**

	Consolidated	
	2015	2014
	\$'000	\$'000
		(restated)
Provision for income tax	<u>2,597</u>	<u>443</u>

**Note 16. Current liabilities - employee benefits**

	Consolidated	
	2015	2014
	\$'000	\$'000
Annual leave	595	1,110
Long service leave	48	186
	<u>643</u>	<u>1,296</u>

**Note 17. Current liabilities - provisions**

	Consolidated	
	2015	2014
	\$'000	\$'000
		(restated)
Lease make good	34	23
Claims and provisions	7,344	11,966
Onerous lease	<u>1,739</u>	<u>-</u>
	<u>9,117</u>	<u>11,989</u>

*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.

*Claims and provisions*

The provisions reflect claims for disputes relating to the settlements described in note 3 and potential settlements relating to regulatory audits.

*Onerous lease*

The provision represents the present value of the estimated costs, net of any sub-lease revenue, that will be incurred until the end of the lease terms where the obligation is expected to exceed the economic benefit to be received.

**Note 17. Current liabilities - provisions (continued)**

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	Lease make good \$'000	Claims and provisions \$'000	Onerous lease \$'000
<b>Consolidated - 2015</b>			
Carrying amount at the start of the year - restated	23	11,966	-
Additional provisions recognised	11	7,344	1,739
Reclassified to other payables	-	(5,452)	-
Amounts used	-	(6,514)	-
Carrying amount at the end of the year	34	7,344	1,739

**Note 18. Current liabilities - deferred revenue**

	<b>Consolidated</b>	
	2015 \$'000	2014 \$'000
Deferred revenue	2,656	2,776

**Note 19. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	2015 \$'000	2014 \$'000
Bank loans	-	42,593

Refer to note 26 for further information on financial instruments.

*Facilities Agreement and First Amendment Agreement*

During the previous financial year, the consolidated entity entered into a facilities agreement dated 30 May 2014 ("Facilities Agreement") comprising \$100,000,000 under Facility A with the Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation ('MLAs') and \$3,000,000 under Facility B with National Australia Bank. This was amended by the First Amendment Agreement dated 6 June 2014 to increase the facility to \$123,000,000 (\$120,000,000 under Facility A and \$3,000,000 under Facility B) to fund the acquisition of Endeavour on 1 July 2014.

Facility A was a three year cash advance facility that could be used by the consolidated entity towards financing Permitted Acquisitions (as defined in the Facilities Agreement) and associated costs, fees and expenses or to fund capital expenditure for the day to day operations and the general corporate purposes of the consolidated entity. Facility B was a three year bank guarantee facility that could have been used towards the issuance of bank guarantees. The loans were subject to certain covenants which included maintaining interest cover and gearing ratios at certain levels.

## Note 19. Non-current liabilities - borrowings (continued)

### *Second Amendment Agreement*

On 24 December 2014, the consolidated entity amended the terms of Facilities Agreement by the Second Amendment Agreement with its MLAs. The Second Amendment Agreement provided for the retention of the existing three year tenor but required repayment and cancellation of \$35,000,000 of the Facility Limit utilising part of the consolidated entity's cash reserves. As part of the Second Amendment Agreement, the MLAs waived certain defaults arising from the breach of existing loan covenants in addition to any review events as a consequence of the termination of the BAWM and Aspin funding agreements pursuant to the Deed of Settlement with the DEECD (see note 3).

### *Third Amendment Agreement*

As a consequence of its poorer than expected operating results, the consolidated entity was in default under the terms of the Second Amendment Agreement for the half year ended 31 December 2014.

On 23 February 2015, the consolidated entity amended the terms of its Facilities Agreement by the Third Amendment Agreement with the MLAs, which provided stability while the consolidated entity completed its strategic review and allowed time for the consolidated entity to align its capital structure with its future business activities.

The loan facility limit of \$85,000,000 under Facility A and bank guarantee limit of \$3,000,000 under Facility B remained unchanged from the Second Amendment Agreement. The facility maturity date of 30 May 2016 (previously 30 May 2017) was agreed as part of the Third Amendment Agreement. As part of the Third Amendment Agreement, there was an obligation to materially deleverage the consolidated entity's statement of financial position which was achieved by selling several assets of the consolidated entity in the second-half of the financial year. Additional security obligations, including requiring certain subsidiaries to accede to the amended Facilities Agreement as guarantors and provide security on the same terms as the consolidated entity's existing security arrangements, were also part of the Third Amendment Agreement.

### *Fourth Amendment Agreement*

Subsequent to year end, on 4 August 2015, the consolidated entity further amended the terms of its Facilities Agreement under the Fourth Amendment Agreement with the MLAs. The new arrangements followed completion of the consolidated entity's strategic review process and provides increased stability for the consolidated entity's future business activities. The key components of the amended Facilities Agreement are the reduction of the facility to \$12,500,000 (\$11,000,000 under Facility A and \$1,500,000 under Facility B), a new, extended maturity date of 28 February 2017 (previously 30 May 2016), and minimum mandatory repayments of \$3,000,000 over the next 12 months and \$4,000,000 repayment in August 2016.

The consolidated entity is required to provide regular reporting to the MLAs on, among other things: financial performance; cash balances and cash flows; and status of litigation, disputes, and regulatory matters. Financial covenants have been aligned to the Turnaround Plan milestones and include: (i) a cash balance test; and (ii) normalised EBITDA test (each quarter from 30 September 2015 onwards)

Over the past seven months the consolidated entity has streamlined its business portfolio to better align with its capital structure, generating divestment proceeds of \$84,000,000 (excluding deferred and contingent consideration). \$73,000,000 of the disposals proceeds was used to repay the bank debt. This, in addition to repayments of \$36,000,000, has resulted in gross debt being reduced from \$120,000,000 in early December 2014 to its current level of \$11,000,000 million as at 30 June 2015.

As the Fourth Amendment Agreement was finalised subsequent to year end, the outstanding balance of Facility A of \$11,000,000 has been classified as current liabilities.

### *Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Bank loans	11,000	42,593
Hire purchase	48	72
	<u>11,048</u>	<u>42,665</u>

**Note 19. Non-current liabilities - borrowings (continued)**

*Assets pledged as security*

The bank loans are secured by guarantees and indemnities as well as a charge over the issued capital of the company's subsidiaries.

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank loans	11,000	120,000
Bank guarantee	3,000	3,000
	<u>14,000</u>	<u>123,000</u>
Used at the reporting date		
Bank loans	11,000	42,593
Bank guarantee	800	-
	<u>11,800</u>	<u>42,593</u>
Unused at the reporting date		
Bank loans	-	77,407
Bank guarantee	2,200	3,000
	<u>2,200</u>	<u>80,407</u>

**Note 20. Non-current liabilities - derivative financial instruments**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
ASM put/call option	-	2,460

Refer to note 26 for further information on financial instruments.

Refer to note 27 for further information on fair value measurement.

*Put/call options*

During the previous financial year, the consolidated entity acquired 50% interest in Australian School of Management ('ASM'). The shareholders of the other 50% held a put option and the consolidated entity has a call option. The consolidated entity acquired the remaining 50% by exercising the option during the year ended 30 June 2015.



**Note 21. Non-current liabilities - deferred tax**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>(restated)</b>
<b>Deferred tax (asset)/liability comprises temporary differences attributable to:</b>		
Amounts recognised in profit or loss:		
Intangibles	-	7,663
IPO and other costs	-	(3,190)
Revenue received in advance and accrued revenue	-	1,906
Employee benefits	-	(669)
Accrued expenses	-	(963)
Provision for doubtful debts	-	(112)
Accrued interest	-	15
Other provisions	-	(1,850)
	-	2,800
Amounts recognised in equity:		
Transaction costs on share issue	-	(2,744)
Deferred tax liability	-	56
Amount expected to be settled within 12 months	-	(1,234)
Amount expected to be settled after more than 12 months	-	1,290
	-	56
<b>Movements:</b>		
Opening balance	56	123
Charged to profit or loss (note 7)	(963)	(6,307)
Additions through business combinations (note 34)	1,409	8,984
Credited to equity (note 22)	(502)	(2,744)
Closing balance	-	56

The consolidated entity has a net deferred tax asset that has not been recognised as at 30 June 2015. Refer to note 7 for further details.

**Note 22. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares - fully paid	<u>230,040,000</u>	<u>202,899,894</u>	<u>302,944</u>	<u>221,442</u>

## Note 22. Equity - issued capital (continued)

### Group reorganisation, (comparative period)

Vocation Limited was incorporated on 6 November 2013 and undertook an initial public offering ('IPO') on 9 December 2013. Prior to the IPO, a 100% owned subsidiary of Vocation Limited, BAWM Pty Ltd ('BAWM') undertook a reorganisation such that Vocation Limited was established as BAWM's parent/holding entity.

Vocation Limited determined that the acquisition of BAWM did not represent a business combination as defined by AASB 3 'Business Combinations'. The appropriate accounting treatment for recognising the new group structure had been determined on the basis that the transaction was a form of capital reconstruction and group reorganisation. The capital reconstruction had been accounted for using the principles of a reverse acquisition by BAWM of Vocation Group and Vocation Limited.

As a result, the consolidated financial statements of Vocation Limited were been prepared as a continuation of the financial statements of the accounting acquirer, BAWM.

The number of shares on issue reflects those of Vocation Limited after the reconstruction.

### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$'000
Balance	1 July 2013	12		-
Group Reorganisation	15 November 2013	(12)	\$0.00	-
Shares issued to BAWM founders in exchange for BAWM shares	15 November 2013	83,753,529	\$0.02	1,685
Shares issued as part settlement for purchase of founding and ancillary businesses	6 December 2013	35,049,786	\$1.89	66,244
Shares issued as performance rights	6 December 2013	2,003,594	\$1.61	3,241
Shares issued at IPO	6 December 2013	79,193,091	\$1.89	149,675
Transaction costs arising on IPO	6 December 2013	-	\$0.00	(9,147)
Deferred tax credit recognised directly in equity	6 December 2013	-	\$0.00	2,744
Issue of shares on acquisition of Oil Group Holdings Pty Ltd	30 May 2014	2,899,894	\$2.41	7,000
Balance	30 June 2014	202,899,894		221,442
Issue of shares as part payment for the acquisition of Oil Group Holdings Pty Ltd	3 September 2014	2,805,154	\$3.05	8,564
Private placement	11 September 2014	24,294,952	\$3.05	74,000
Transaction costs, net of taxation	11 September 2014	-	\$0.00	(1,068)
Share-based payments	5 May 2015	40,000	\$0.15	6
Balance	30 June 2015	230,040,000		302,944

### Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

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.

### Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to minimise the cost of capital.

In order to maintain a sustainable capital structure to support the ongoing business, the consolidated entity undertook a strategic review during the second half of the financial year and reduced its gross debt by \$73,000,000 through asset sales.



**Note 23. Equity - reserves**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Share-based payments reserve	778	465
Capital reorganisation reserve	(2,190)	(1,685)
	<u>(1,412)</u>	<u>(1,220)</u>

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services. The reserve also includes performance rights granted at the time of IPO which were converted to ordinary shares prior to listing on the ASX. The fair value of the performance rights was calculated using the share price at IPO, discounted for the impact of the escrow periods on the marketability of the shares.

*Capital reorganisation reserve*

The reserve is used to recognise contributions from or to Vocation Limited and its controlled subsidiaries by shareholders as part of the group reorganisation. The increase during the year corresponds to an adjustment to the reverse acquisition accounting for BAWM Pty Ltd.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Share-based payment \$'000</b>	<b>Capital reorganisation \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	-	-	-
Share-based payments	465	-	465
Capital reorganisation	-	(1,685)	(1,685)
Balance at 30 June 2014	465	(1,685)	(1,220)
Share-based payments	313	-	313
Capital reorganisation	-	(505)	(505)
Balance at 30 June 2015	<u>778</u>	<u>(2,190)</u>	<u>(1,412)</u>

**Note 24. Equity - accumulated losses**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Retained profits/(accumulated losses) at the beginning of the financial year	(8,254)	4,737
Loss after income tax expense for the year	(300,278)	(3,481)
Dividends paid (note 25)	(6,493)	(9,510)
Accumulated losses at the end of the financial year	<u>(315,025)</u>	<u>(8,254)</u>



## Note 25. Equity - dividends

### Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2015	2014
	\$'000	\$'000
Final dividend for the year ended 30 June 2014 of 3.2 cents per ordinary share	6,493	-
Pre-IPO dividend for the year ended 30 June 2014 of \$792,500 per ordinary share	-	9,510
	<u>6,493</u>	<u>9,510</u>

### Franking credits

	Consolidated	
	2015	2014
	\$'000	\$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>4,786</u>	<u>8,279</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

## Note 26. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and other price risks, ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

### Market risk

#### Foreign currency risk

The consolidated entity currently does not undertake material transactions denominated in foreign currency and hence is not exposed to foreign currency risk through foreign exchange rate fluctuations.

#### Interest rate risk

The consolidated entity's main interest rate risk arises from long-term borrowings. Borrowings are currently issued at variable rates and expose the consolidated entity to interest rate risk.

**Note 26. Financial instruments (continued)**

As at the reporting date, the consolidated entity had the following variable rate borrowings and cash and cash equivalents outstanding:

Consolidated	2015		2014	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Bank loans	4.68%	11,000	4.51%	42,593
Cash and cash equivalents	2.50%	(10,221)	2.50%	(21,745)
Net exposure to cash flow interest rate risk		<u>779</u>		<u>20,848</u>

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

An increase/decrease in interest rates of 100 (2014: 100) basis points would have an adverse/favourable effect on profit before tax and equity of \$78,000 (2014: \$208,000) per annum.

**Credit risk**

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity's policy for cash holdings requires the holdings to be with the major four banks in Australia.

**Liquidity risk**

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

	Consolidated	
	2015 \$'000	2014 \$'000
Bank loans	-	77,407
Bank guarantee	<u>2,200</u>	<u>3,000</u>
	<u>2,200</u>	<u>80,407</u>

**Note 26. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2015</b>	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
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	-%	6,351	-	-	-	6,351
Other payables	-%	7,718	-	-	-	7,718
Payables to Victorian Regulation and Qualifications Authority	-%	7,874	-	-	-	7,874
<b>Interest-bearing - variable</b>						
Bank loans	4.68%	11,488	-	-	-	11,488
Hire purchase	-%	48	-	-	-	48
Total non-derivatives		33,479	-	-	-	33,479
<b>Consolidated - 2014</b>						
	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
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	-%	2,467	-	-	-	2,467
Other payables	-%	29,634	-	-	-	29,634
Contingent consideration	-%	8,900	-	-	-	8,900
<b>Interest-bearing - variable</b>						
Bank loans	4.51%	1,943	1,943	45,015	-	48,901
Hire purchase	-%	30	30	18	-	78
Total non-derivatives		42,974	1,973	45,033	-	89,980
<b>Derivatives</b>						
Put/call option	-%	-	2,460	-	-	2,460
Total derivatives		-	2,460	-	-	2,460

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

## Note 27. Fair value measurement

### Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Liabilities</b>				
Contingent consideration	-	-	8,900	8,900
Put/call option	-	-	2,460	2,460
Total liabilities	-	-	11,360	11,360

There were no transfers between levels during the financial year. There were no items measured or disclosed at fair value at 30 June 2015.

### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Contingent consideration \$'000	Put/call option \$'000	Total \$'000
Balance at 1 July 2013	-	-	-
Additions	8,900	2,460	11,360
Balance at 30 June 2014	8,900	2,460	11,360
Settled in equity/cash	(8,650)	(2,460)	(11,110)
Recognised in profit or loss	(250)	-	(250)
Balance at 30 June 2015	-	-	-

## Note 28. Key management personnel disclosures

### Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2015 \$	2014 \$
Short-term employee benefits	2,771,536	1,102,117
Post-employment benefits	304,978	63,179
Long-term benefits	4,441	15,131
Share-based payments	313,483	3,028,774
	<u>3,394,438</u>	<u>4,209,201</u>

**Note 28. Key management personnel disclosures (continued)**

The figures for 2014 represent the KMPs for the seven months from listing, as detailed in the Remuneration report contained within the Directors' report. Additionally, the following amounts were paid to KMPs prior to listing in 2014:

Short-term benefit \$340,261

Post-employment benefits \$28,542

Long-term benefits \$18,501

**Note 29. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by PricewaterhouseCoopers, the auditor of the company:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<b>Audit services - PricewaterhouseCoopers</b>		
Audit or review of the financial statements	335,000	225,000
<b>Other services - PricewaterhouseCoopers</b>		
Non-statutory review of interim financial information	-	75,000
Acquisition related assurance services	-	121,500
Financial due diligence services related to IPO	-	1,299,455
Financial due diligence services related to acquisitions and disposals	224,017	637,000
Taxation services	264,813	246,510
Remuneration services	165,766	88,903
Other assurance services	120,000	-
	<u>774,596</u>	<u>2,468,368</u>
	<u>1,109,596</u>	<u>2,693,368</u>

The financial due diligence services in the prior period related to the IPO were undertaken by PricewaterhouseCoopers prior to their appointment as external auditor. The directors have taken appropriate steps to ensure that the provision of non-audit services does not compromise the external auditor's independence.

**Note 30. Contingent liabilities**

The consolidated entity had contingent liabilities at 30 June 2015 in respect of:

*(a) Regulatory audits and reviews*

The consolidated entity is subject to a wide range of quality and compliance standards, and participates in regular audits by various third parties (primarily government authorities or their nominees). At the current time a number of audits are under way or the results and conclusion have not yet been determined. Where possible, the consolidated entity has recognised its best estimate of the potential effect of these matters based on the information available. It is possible that there may be some further financial impact in the event of an adverse audit outcome. The financial effect, if any, is unable to be quantified at this time.



### Note 30. Contingent liabilities (continued)

#### (b) Class actions

The consolidated entity is named as the respondent in three separate representative proceedings ("class actions") brought in the names of John Webster, Manny Karageorgiou and Cheryl Whittenbury. Each of the class actions relates to, and alleges certain conduct, arising out of the same or similar matters:

- that the consolidated entity has engaged in misleading or deceptive conduct in issuing its replacement prospectus dated 27 November 2013;
- that in the relevant period:
  - i. the consolidated entity failed to disclose certain matters in relation to its replacement prospectus, the conduct of its business and the review undertaken by the Victorian Department of Education and Early Childhood Development;
  - ii. the consolidated entity failed to disclose certain matters in relation to its enrolments and earnings;
- that various statements, announcements and omissions by the consolidated entity in the relevant period were misleading or deceptive.

The consolidated entity denies any liability and believes the class action claims lack any proper foundation. The consolidated entity will vigorously defend the class action proceedings. The financial effect, if any, is unable to be quantified at this time.

### Note 31. Commitments

	Consolidated	
	2015	2014
	\$'000	\$'000
<b>Capital commitments</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	-	82
<b>Lease commitments - operating</b>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,957	2,420
One to five years	4,712	6,175
	<u>6,669</u>	<u>8,595</u>

Operating lease commitments includes contracted amounts for various offices under non-cancellable operating leases expiring within two to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

### Note 32. Related party transactions

#### Parent entity

Vocation Limited is the parent entity.

#### Subsidiaries

Interests in subsidiaries are set out in note 35.

#### Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report in the directors' report.



**Note 32. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Payment for professional fees from KMPs	-	35,280
Payment for administration fees from KMPs	-	2,546
Other transactions:		
Payments of amounts recognised as net assets within business combinations	-	36,014,149
Pre IPO dividends from retained profits	-	9,510,000
Payments for administration fees to persons/entities with significant influence	-	16,560
Other payments of amounts recognised as net assets within business combinations* to persons/entities with significant influence	-	15,245,480
Issue of shares as part payment for the acquisition of Oil Group Holdings Pty Ltd	4,282,000	-

\*Relates to the purchase of Student Hub and Aspin from shareholders who had significant influence over BAWM Pty Limited from the period of 1 July 2013 to 6 December 2013 prior to the group reorganisation.

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Loan to employees	-	8,500
Receivables from persons/entities with significant influence	-	260,872

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All the above transactions were made on normal commercial terms and conditions and at market rates.

**Note 33. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Loss after income tax	(296,531)	(14,137)
Total comprehensive income	(296,531)	(14,137)

**Note 33. Parent entity information (continued)**

*Statement of financial position*

	Parent	
	2015 \$'000	2014 \$'000
Total current assets	7,777	13,606
Total assets	19,222	272,789
Total current liabilities	33,132	20,421
Total liabilities	33,132	65,484
Equity		
Issued capital	302,944	221,442
Share-based payments reserve	307	-
Accumulated losses	(317,161)	(14,137)
Total equity/(deficiency)	(13,910)	207,305

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015, except for the deed of cross guarantee as detailed in note 36. The bank loans are secured by guarantees and indemnities as well as a charge over the issued capital of the parent entity's subsidiaries. Refer to note 19.

*Contingent liabilities*

Refer to note 30 for details on contingent liabilities.

*Capital commitments - Property, plant and equipment*

The parent entity had commitments for property, plant and equipment of \$Nil (2014: \$82,000) as at 30 June 2015. Also, it has operating lease commitments as described below:

	Parent	
	2015 \$'000	2014 \$'000
Committed at the reporting date but not recognised as liabilities, payable:		
within one year	-	566
one to five years	-	2,218

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity; and
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

#### Note 34. Business combinations

##### *Current year acquisition*

On 1 July 2014, the consolidated entity acquired 100% of the issued share capital of Endeavour Learning Group ('Endeavour'), one of Australia's leading providers of higher education and vocational training in the health and wellness sector. The goodwill is attributable to the workforce, potential growth in student numbers, diversification and synergistic benefits for the consolidated entity. The acquired business contributed revenues of \$41,683,000 and net profit of \$3,569,000 to the consolidated entity for the period from 1 July 2014 to 29 April 2015.

##### *Acquisition related costs*

Acquisition related costs of \$3,316,000 are included in transaction costs in profit or loss and in operating cash flows in the statement of cash flows in the year ended 30 June 2014.

Details of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	206
Trade receivables	20,921
Inventories	406
Other current assets	973
Plant and equipment	7,121
Other intangible assets	13,592
Deferred tax asset	2,750
Income in advance	(18,788)
Trade payables	(1,457)
Lease liabilities	(375)
Provision for income tax	(1,549)
Other provisions	(4,210)
Deferred tax liability	(4,159)
	<hr/>
Net assets acquired	15,431
Goodwill	67,513
	<hr/>
Acquisition-date fair value of the total consideration transferred	82,944
	<hr/>
Representing:	
Cash paid or payable to vendor	82,944
	<hr/>

	Consolidated 2015 \$'000	2014 \$'000
Cash used to acquire business, net of cash acquired:		
Acquisition-date fair value of the total consideration transferred	82,944	-
Less: cash and cash equivalents	(206)	-
	<hr/>	<hr/>
Net cash used	82,738	-
	<hr/>	<hr/>

On 29 April 2015, the consolidated entity sold Endeavour. Refer to note 8 for further details.

**Note 34. Business combinations (continued)**

*Summary of business combinations (comparative period)*

The consolidated entity acquired the following subsidiaries and businesses during the year ended 30 June 2014:

- Avana Group Pty Ltd ('AVANA') and its controlled entities\*;
- CSIA Pty Ltd ('CSIA') and its controlled entities \*; and
- Aspin Pty Ltd and Student Hub Pty Ltd\*.

\* These entities, along with BAWM were the 'Founding companies' and were acquired 100% on 6 December 2013.

- Australian College of Applied Education Pty Ltd ('ACAE') and Australian School of Management Pty Ltd ('ASM'), acquired 100% and 50%, respectively on 30 April 2014.
- Oil Group Holdings Pty Limited ('Real') and its controlled entities acquired 100% on 31 May 2014.

**Note 34. Business combinations (continued)**

Details of the acquisitions are as follows:

	Founding companies Fair value \$'000	ACAE and ASM Fair value \$'000	Real Fair value \$'000	Total Fair value \$'000
Cash and cash equivalents	1,067	1,450	307	2,824
Trade and other receivables	6,287	789	1,281	8,357
Income tax refund due	-	-	62	62
Accrued revenue - unbilled revenue	-	-	2,429	2,429
Other current assets	167	161	167	495
Leasehold improvements	-	455	-	455
Other plant and equipment	174	109	500	783
Intellectual property	1,843	481	1,258	3,582
Customer contracts and relationships	18,242	-	8,740	26,982
Software	3,648	-	31	3,679
Licenses	700	491	50	1,241
Deferred tax asset	222	-	112	334
Trade and other payables	(3,018)	(501)	(1,970)	(5,489)
Borrowings	-	-	(74)	(74)
Provision for income tax	(400)	(17)	-	(417)
Other provisions	(305)	(98)	(76)	(479)
Deferred revenue	-	(1,774)	-	(1,774)
Deferred tax liability	(5,805)	(147)	(3,366)	(9,318)
Other liabilities	(1,514)	-	-	(1,514)
<b>Net assets acquired</b>	<b>21,308</b>	<b>1,399</b>	<b>9,451</b>	<b>32,158</b>
<b>Goodwill</b>	<b>167,931</b>	<b>3,186</b>	<b>47,484</b>	<b>218,601</b>
<b>Acquisition-date fair value of the total consideration transferred</b>	<b>189,239</b>	<b>4,585</b>	<b>56,935</b>	<b>250,759</b>
Representing:				
Cash paid or payable to vendors	122,994	2,125	41,035	166,154
Vocation Limited shares issued to vendors	66,245	2,460	7,000	75,705
Contingent consideration (note 27)	-	-	8,900	8,900
	<b>189,239</b>	<b>4,585</b>	<b>56,935</b>	<b>250,759</b>
<b>Cash used to acquire business, net of cash acquired:</b>				
Acquisition-date fair value of the total consideration transferred	122,994	2,125	41,035	166,154
Less: cash and cash equivalents	(1,067)	(1,450)	(307)	(2,824)
<b>Net cash used</b>	<b>121,927</b>	<b>675</b>	<b>40,728</b>	<b>163,330</b>

#### Note 35. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
BAWM Pty Ltd	Australia	100.00%	100.00%
Aspin Pty Ltd	Australia	100.00%	100.00%
Student Hub Pty Ltd	Australia	100.00%	100.00%
OzSoft Pty Ltd **	Australia	-%	100.00%
CSIA Education Services Pty Ltd	Australia	100.00%	100.00%
Customer Service Institute of Australia Pty Ltd	Australia	100.00%	100.00%
TTS-100 Pty Ltd	Australia	100.00%	100.00%
ACN 152 406 338 Pty Ltd	Australia	100.00%	100.00%
Learning Verve Pty Ltd	Australia	100.00%	100.00%
Avana Group Pty Ltd	Australia	100.00%	100.00%
QI Careers Pty Ltd	Australia	100.00%	100.00%
Avana Talent Pty Ltd	Australia	100.00%	100.00%
Avana Education Pty Ltd	Australia	100.00%	100.00%
Avana Services Pty Ltd	Australia	100.00%	100.00%
Green Skills Institute (Aust) Pty Ltd	Australia	100.00%	100.00%
Training & Development Australia Pty Ltd	Australia	100.00%	100.00%
Avana Learning Pty Ltd	Australia	100.00%	100.00%
Australian College of Applied Education *	Australia	-%	100.00%
Australian School of Management *	Australia	-%	50.00%
Real Corporate Partners Pty Ltd	Australia	100.00%	100.00%
RI Partners Pty Ltd	Australia	100.00%	100.00%
Online Institute of Learning Pty Ltd	Australia	100.00%	100.00%
Oil Group Holdings Pty Ltd	Australia	100.00%	100.00%
Real Institute Pty Ltd	Australia	100.00%	100.00%

\* These companies were sold on 16 March 2015.

\*\* This company was sold on 19 May 2015

Endeavour College of Natural Health was acquired on 1 July 2014 and sold on 29 April 2015.

#### Note 36. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

BAWM Pty Ltd  
Avana Group Pty Ltd and its controlled entities  
Customer Service Institute of Australia Pty Ltd and its controlled entities  
CSIA Education Services Pty Ltd  
Aspin Pty Ltd  
Student Hub Pty Ltd  
Oil Group Holdings Pty Limited (Real Institute) and its controlled entities

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission ('ASIC').

The above companies represent a 'Closed Group' for the purposes of the Class Order, and as there are no other parties to the deed of cross guarantee that are controlled by Vocation Limited, they also represent the 'Extended Closed Group'.

**Note 36. Deed of cross guarantee (continued)**

The statement of profit or loss and other comprehensive income and statement of financial position are substantially the same as the consolidated entity and therefore have not been separately disclosed.

**Note 37. Events after the reporting period**

Subsequent to year end, on 4 August 2015, the consolidated entity further amended the terms of its Facilities Agreement under the Fourth Amendment with the MLAs. The key components of the amended Facilities Agreement are the reduction of the facility to \$12,500,000 (\$11,000,000 under Facility A and \$1,500,000 under Facility B), a new, extended maturity date of 28 February 2017 (previously 30 May 2016), and minimum mandatory repayments of \$3,000,000 over the next 12 months. See note 19 for details.

No other matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Note 38. Reconciliation of loss after income tax to net cash from/(used in) operating activities**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
		<b>(restated)</b>
Loss after income tax expense for the year	(300,278)	(3,481)
Adjustments for:		
Depreciation and amortisation	12,852	3,715
Impairment of intangibles	240,725	-
Write off of property, plant and equipment	-	56
Net loss on disposal of non-current assets	2,545	-
Share-based payments	313	3,706
Interest received - non cash	-	(45)
Finance costs - non cash	-	159
Change in operating assets and liabilities net of effects of acquisitions and disposals of subsidiaries:		
Decrease/(increase) in trade and other receivables	22,900	(18,643)
Decrease/(increase) in other assets	(2,146)	105
Increase/(decrease) in trade and other payables	(10,662)	19,647
Increase in derivative liabilities	-	2,460
Increase/(decrease) in provision for income tax	(761)	586
Decrease in deferred tax liabilities	(56)	(6,308)
Increase/(decrease) in employee benefits	(653)	739
Increase in other provisions	6,756	11,318
Net cash from/(used in) operating activities	<u>(28,465)</u>	<u>14,014</u>

**Note 39. Non-cash investing and financing activities**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Issue of shares on acquisition of Oil Group Holdings Pty Ltd	8,564	7,000
Shares issued as part settlement for purchase of founding and ancillary businesses	-	66,244
Shares issued to BAWM founders in exchange for BAWM shares	-	1,685
	<u>8,564</u>	<u>74,929</u>





**Note 40. Earnings per share**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Earnings per share for loss from continuing operations</b>		
Loss after income tax attributable to the owners of Vocation Limited	<u>(177,086)</u>	<u>(12,205)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	224,721,956	149,925,902
Adjustments for calculation of diluted earnings per share:		
Contingent consideration *	<u>-</u>	<u>237,144</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>224,721,956</u>	<u>150,163,046</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(78.80)	(8.14)
Diluted earnings per share	(78.80)	(8.13)
	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Earnings per share for (loss)/profit from discontinued operations</b>		
(Loss)/profit after income tax attributable to the owners of Vocation Limited	<u>(123,192)</u>	<u>8,724</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>224,721,956</u>	<u>149,925,902</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>224,721,956</u>	<u>149,925,902</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(54.82)	5.82
Diluted earnings per share	(54.82)	5.82
	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Earnings per share for loss</b>		
Loss after income tax attributable to the owners of Vocation Limited	<u>(300,278)</u>	<u>(3,481)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	224,721,956	149,925,902
Adjustments for calculation of diluted earnings per share:		
Contingent consideration *	<u>-</u>	<u>237,144</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>224,721,956</u>	<u>150,163,046</u>



**Note 40. Earnings per share (continued)**

	Cents	Cents
Basic earnings per share	(133.62)	(2.32)
Diluted earnings per share	(133.62)	(2.32)

\* Weighted average number of ordinary shares, based on 2,885,246 shares at 30 June 2014, of which 2,805,154 were issued on 3 September 2014 and the remaining balance of 80,092 were cancelled.

**Note 41. Share-based payments**

Under the Vocation Performance Rights Plan a share-based payment plan has been established by the consolidated entity and is subject to shareholder approval at a general meeting, whereby the consolidated entity may, at the discretion of the Nomination and Remuneration Committee, grant performance rights over ordinary shares in the company to certain key management personnel of the consolidated entity. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

The amount expensed in the financial year ended 30 June 2015 amounted to \$313,000 (2014: \$465,000). The fair value is independently determined using the Black-Scholes framework option pricing model where applicable.

Set out below are summaries of performance rights granted under the plan:

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested and Exercised	Expired/ forfeited/lapsed other	Balance at the end of the year
*	01/05/2016	\$0.00	-	2,750,000	-	-	2,750,000
*	01/05/2017	\$0.25	-	1,000,000	-	-	1,000,000
*	01/05/2017	\$0.50	-	1,000,000	-	-	1,000,000
*	01/05/2018	**	-	2,000,000	-	-	2,000,000
*	01/05/2019	***	-	2,000,000	-	-	2,000,000
20/10/2014	01/07/2018	\$0.00	-	620,000	(40,000)	(580,000)	-
			-	9,370,000	(40,000)	(580,000)	8,750,000

\* Note that there have been no Performance Rights granted to the CEO and Managing Director in FY15 as any grant is subject to shareholder approval at the 2015 Annual General Meeting. For accounting purposes, an expense of \$307,483 has been recognised during FY15 in advance of Grant Date as the CEO and Managing Director has already commenced providing the services for these performance rights.

\*\* 30 day VWAP to 1 May 2017

\*\*\* 30 day VWAP to 1 May 2018

**Vocation Limited**  
**Directors' declaration**  
**30 June 2015**



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 36 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Douglas Halley', written over a horizontal line.

Douglas Halley  
Chairman

31 August 2015  
Sydney



## **Independent auditor's report to the members of Vocation Limited**

### ***Report on the financial report***

We have audited the accompanying financial report of Vocation Limited (the company), which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Vocation Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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 that we 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 consolidated entity's preparation and fair presentation of the financial report 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 entity'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 Vocation 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 (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a net loss of \$300,278,000 during the year ended 30 June 2015 and, as of that date, its net liabilities were \$13,493,000. The consolidated entity's ability to continue as a going concern and meet its commitments as they fall due is dependent upon it being successful in implementing a turnaround plan including generating sufficient future cash flows through trading and from its options for additional funding. Furthermore, this is also dependent on compliance with ongoing regulatory matters and the outcome of legal proceedings. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

### *Report on the Remuneration Report*

We have audited the remuneration report included in pages 9 to 18 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.

### *Auditor's opinion*

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

PricewaterhouseCoopers

Steve Bourke  
Partner

Sydney  
31 August 2015