Vocation Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Vocation Limited
ABN:	95 166 631 330
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

To aid comparability, the following information relates to Vocation Limited as a continuation of an existing business, following the corporate/group re-organisation, and not from the date the company was incorporated. Refer to basis of preparation in Note 1.

				$'000
Revenues from ordinary activities	up	246.0%	to	128,575
Profit from ordinary activities after tax attributable to the owners of Vocation Limited	up	74.6%	to	8,272
Profit for the year attributable to the owners of Vocation Limited	up	74.6%	to	8,272

Dividends
On 30 October 2013, the directors of BAWM Pty Limited declared a Pre-IPO fully franked dividend for the year ended 30 June 2014 of $792,500 per ordinary share.

A final dividend of 3.2 cents per share in Vocation Limited for the year ended 30 June 2014 will be paid on 10 October 2014 to shareholders registered on 1 September 2014.

Comments
The profit for the consolidated entity after providing for income tax amounted to $8,272,000 (30 June 2013: $4,737,000).

Further information on the review of operations, financial position and future strategies refer to the investor presentation.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(13.88)	4.82

The net tangible assets per ordinary share is calculated based on 202,899,894 ordinary shares on issue as at 30 June 2014.

4. Control gained over entities

Refer to Note 7 Business Combinations for details of entities over which control has been gained during the year.

5. Loss of control over entities

Not applicable.

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 are in the process of being audited.

---

10. Attachments

Details of attachments (if any):

The Preliminary Final Annual Report for the year ended 30 June 2014 is attached.

---

11. Signed

Signed MS Grewal

Date: 21 August 2014

Manvinder Gréwal
Chief Financial Officer
Sydney

Vocation Limited

ABN 95 166 631 330

Preliminary Financial Report - 30 June 2014

Vocation Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 (unaudited) $'000	Consolidated 2013 (unaudited) $'000
Revenue		128,575	37,162
Expenses			
Staff and contractor costs		(36,433)	(7,120)
Course delivery costs		(40,216)	(19,631)
Depreciation and amortisation expense		(3,715)	(474)
External student acquisition costs		(5,246)	(639)
Occupancy costs		(2,571)	(855)
IPO and transactions costs		(15,430)	-
Share-based payments		(3,706)	-
Other expenses		(9,031)	(1,675)
Finance costs		(181)	(1)
Profit before income tax expense		12,046	6,767
Income tax expense		(3,774)	(2,030)
Profit after income tax expense for the year attributable to the owners of Vocation Limited		8,272	4,737
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Vocation Limited		8,272	4,737
		Cents	**Cents**
Basic earnings per share	9	5.52	5.66
Diluted earnings per share	9	5.51	5.66

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 2014

	Note	Consolidated 2014 (unaudited) $'000	2013 (unaudited) $'000
Assets			
Current assets			
Cash and cash equivalents		21,745	729
Trade and other receivables		44,029	6,791
Total current assets		65,774	7,520
Non-current assets			
Property, plant and equipment		2,340	554
Intangibles	4	253,792	821
Other		-	105
Total non-current assets		256,132	1,480
Total assets		321,906	9,000
Liabilities			
Current liabilities			
Trade and other payables		43,429	3,526
Borrowings		72	-
Income tax		3,630	460
Employee benefits		1,296	154
Provisions		23	-
Deferred revenue		2,776	-
Total current liabilities		51,226	4,140
Non-current liabilities			
Borrowings	5	42,593	-
Derivative financial instruments		2,460	-
Deferred tax		1,906	123
Total non-current liabilities		46,959	123
Total liabilities		98,185	4,263
Net assets		223,721	4,737
Equity			
Issued capital	6	221,442	-
Reserves		(1,220)	-
Retained profits		3,499	4,737
Total equity		223,721	4,737

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

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2012	-	-	4,509	4,509
Profit after income tax expense for the year	-	-	4,737	4,737
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	4,737	4,737
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(4,509)	(4,509)
Balance at 30 June 2013	-	-	4,737	4,737

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2013	-	-	4,737	4,737
Profit after income tax expense for the year	-	-	8,272	8,272
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	8,272	8,272
Transactions with owners in their capacity as owners:				
IPO and capital re-organisation (note 6)	221,442	(1,685)	-	219,757
Share-based payments	-	465	-	465
Dividends paid	-	-	(9,510)	(9,510)
Balance at 30 June 2014	221,442	(1,220)	3,499	223,721

Vocation Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 (unaudited) $'000	2013 (unaudited) $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		116,414	38,403
Payments to suppliers and employees (inclusive of GST)		(98,142)	(32,390)
		18,272	6,013
Interest received		151	66
Interest and other finance costs paid		(22)	(1)
Income taxes paid		(4,459)	(2,520)
Net cash from operating activities		13,942	3,558
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	7	(163,330)	-
Payments for property, plant and equipment		(1,151)	(473)
Payments for intangibles	4	(1,982)	(896)
Proceeds from sale of property, plant and equipment		-	13
Net cash used in investing activities		(166,463)	(1,356)
Cash flows from financing activities			
Proceeds from issue of shares	6	149,675	-
Payment of transaction costs incurred in relation to IPO		(9,147)	-
Net proceeds from borrowings		42,519	2,511
Pre-IPO dividends paid		(9,510)	(4,509)
Net cash from/(used in) financing activities		173,537	(1,998)
Net increase in cash and cash equivalents		21,016	204
Cash and cash equivalents at the beginning of the financial year		729	525
Cash and cash equivalents at the end of the financial year		21,745	729

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.

The consolidated entity has adopted all of the Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Adoption of AASB 1 'First time adoption of Australian Accounting Standards'
As a non-reporting entity the acquired company has historically prepared ‘special purpose financial statements’ for the purposes of satisfying the directors reporting requirements under Corporations Act 2001. As a disclosing entity the consolidated entity is now required to prepare an IFRS compliant ‘general purpose financial statements’ for the first time for the year ended 30 June 2014. In accordance with AASB 1 ‘First time adoption of Australian Accounting Standards’ the consolidated entity has adopted all relevant IFRS standards with effect from the beginning of the comparative period, 1 July 2012. The adoption of AASB 1 has not resulted in any changes in recognition or measurement of amounts in the financial statements.

Basis of preparation
During the year, an internal restructure took place in preparation of the listing of the group on the Australian Securities Exchange (‘ASX’). This resulted in a newly incorporated company, Vocation Limited, becoming the legal parent of the group. The internal restructure was not conditional on the listing of the group on the ASX.

Vocation Limited has determined that this internal restructure, that resulted in the company acquiring BAWM Pty Limited (‘BAWM’) (former parent entity), represented a common control transaction rather than a business combination. The appropriate accounting treatment for recognising the new group structure is on the basis that the transaction is a form of capital reconstruction and group reorganisation. Therefore, the financial information has been prepared using the principles of a reverse acquisition by the existing group of Vocation Limited.

As a result the consolidated financial statements have been prepared as a continuation of the financial statements of the existing group, BAWM.

For presentation purposes, the comparative figures presented in these consolidated financial statements represent those of BAWM consolidated entity for the entire 2013 financial year. The figures for the current financial year are BAWM for the entire year and Vocation Limited from the date Vocation Limited legally acquired BAWM.

On completion of the listing of the group on the ASX the group acquired Avana, Aspin, Student Hub and CSIA. The acquisition of these businesses has been accounted for as business combinations. The consideration paid has been allocated to the identifiable assets and liabilities at acquisition date. The results of Avana, Aspin, Student Hub and CSIA have been consolidated from the date of control.

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.

Note 1. Significant accounting policies (continued)

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only.

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 2014 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' except for the continuation accounting described in the basis of preparation.

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.

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 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 company has formed a trust to administer the consolidated entity’s employee share schemes. This trust is consolidated, as the substance of the relationships 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 services is recognised in the accounting period in which the services are rendered. For contracts, revenue is recognised under the percentage of completion method, based on the actual service provided as a proportion of the total services to be provided.

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

Note 1. Significant accounting policies (continued)

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.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply 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 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 liabilities (or assets) 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 company for any current tax payable assumed and are compensated by the company for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the company 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.

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

An asset is current when: it is 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.

Note 1. Significant accounting policies (continued)

A liability is current when: it is 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.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation or settlement.

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.

Note 1. Significant accounting policies (continued)

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.

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
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.

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 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.

Curriculum - course material development costs
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 an average of five years. The curriculum and other materials for specific training courses do not have physical substance as they represent materials that are housed electronically for reproduction in the future in the way of course materials.

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.

Note 1. Significant accounting policies (continued)

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.

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 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.

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, including:
- interest on short-term and long-term borrowings
- interest on hire purchases

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, including non-monetary benefits, annual leave and long service leave 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
The liability for annual leave and long service leave 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 national government 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
Vocation provides benefits to its employees 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 these 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 become fully entitled to the award. For benefits provided at the IPO, the vesting date was the date of the IPO.

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 interest. 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 each reporting date and transfers between levels are determined based on a reassessment of the lowest level 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.

Contingent consideration is classified either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

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 2014. 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 and its consequential amendments
This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The standard provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments clarify the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 July 2014 may increase the disclosures by the consolidated entity.

Note 1. Significant accounting policies (continued)

AASB 2014-1 Amendments to Australian Accounting Standards
These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB's 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle'. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 'Materiality'. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 'Financial Instruments' in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E. The adoption of these amendments will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial. The adoption of these amendments will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
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. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

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.

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

Revenue recognition
The consolidated entity uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured by reference to the costs incurred to date compared to the estimated total costs to service the contract. Significant assumptions are required to estimate the total costs and the stages of the contract they are incurred in, the progression of students and costs incurred to date and attrition rates during the various stages of progression. In making these estimates, management has relied on past experience on actual costs incurred in various phases of progression in a student life cycle and attrition rates.

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, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on fair value less costs to sell. 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.

Business combinations
As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

The consolidated entity engages independent valuers to value identified intangibles assets acquired through business combinations which includes the use of assumptions, including estimated discount rates based on current cost of capital and growth dates of the estimates future cash flows.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates in one segment being a full-service private vocational education and training service ('VET') provider. This is based on the internal reports that are reviewed and used by the Executive Committee (who are identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources.

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

Note 4. Non-current assets - intangibles

	Consolidated 2014 (unaudited) $'000	Consolidated 2013 (unaudited) $'000
Goodwill - at cost	218,601	-
Intellectual property and curriculum - at cost	5,334	100
Less: Accumulated amortisation	(756)	(76)
	4,578	24
Customer contracts and relationships - at cost	26,982	-
Less: Accumulated amortisation	(1,966)	-
	25,016	-
Software - at cost	3,933	8
Less: Accumulated amortisation	(445)	-
	3,488	8
Licences - at cost	2,221	896
Less: Accumulated amortisation	(112)	(107)
	2,109	789
	253,792	821

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

Consolidated	Goodwill $'000	Intellectual property and curriculum $'000	Customer contracts and relationships $'000	Software $'000	Licences $'000	Total $'000
Balance at 1 July 2012	-	57	-	-	-	57
Additions	-	-	-	8	896	904
Amortisation expense	-	(33)	-	-	(107)	(140)
Balance at 30 June 2013	-	24	-	8	789	821
Additions	-	1,652	-	246	84	1,982
Additions through business combinations (note 7)	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

Goodwill
The recoverable amount of the consolidated entity's cash generating units ('CGUs') is based on fair value less costs of disposal ('FVLCOD'). The FVLCOD was determined based on the value of the business at IPO and total consideration paid to acquire the different businesses since IPO less disposal costs. All of these transactions were at arm’s length and at market value within seven months of 30 June 2014. No internal or external indicators were present as at 30 June 2014 to indicate any differences to the fair values determined in recent transaction prices.

Goodwill is monitored by management at the level of the consolidated entity's sole operating segment being Vocational education and training services. Refer to note 3.

Note 5. Non-current liabilities - borrowings

	Consolidated 2014 (unaudited) $'000	Consolidated 2013 (unaudited) $'000
Bank loans	42,593	-

The consolidated entity has entered into a facilities agreement dated 30 May 2014, as amended by the Amendment Agreement dated 6 June 2014 ('Facilities Agreement'), with the Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation ('MLAs') and others under which the lenders assembled by the MLAs in consultation with the consolidated entity provided a $123 million loan facility to the consolidated entity, comprising $120 million under Facility A and $3 million under Facility B.

Facility A is a three year cash advance facility that can 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 is a three year bank guarantee facility that can be used towards the issuance of bank guarantees.

The loans are subject to certain covenants which includes maintaining interest cover and gearing ratios at certain levels. The consolidated entity has complied with the financial covenants during the reporting period.

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

	Consolidated 2014 (unaudited) $'000	Consolidated 2013 (unaudited) $'000
Bank loans	42,593	-
Hire purchase	72	-
	42,665	-

Note 5. 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:

	Consolidated	
	2014 (unaudited) $'000	2013 (unaudited) $'000
Total facilities		
Bank loans	120,000	-
Revolving bank guarantee	3,000	-
	123,000	-
Used at the reporting date		
Bank loans	42,593	-
Revolving bank guarantee	-	-
	42,593	-
Unused at the reporting date		
Bank loans	77,407	-
Revolving bank guarantee	3,000	-
	80,407	-

Note 6. Equity - issued capital

	Consolidated			
	2014 (unaudited) Shares	2013 (unaudited) Shares	2014 (unaudited) $'000	2013 (unaudited) $'000
Ordinary shares - fully paid	202,899,894	-	221,442	-

Group reorganisation
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 has been determined on the basis that the transaction was a form of capital reconstruction and group reorganisation. The capital reconstruction has 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 have been prepared as a continuation of the financial statements of the accounting acquirer, BAWM. Refer to basis of preparation in note 1.

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

Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$'000
Balance	1 July 2013	12		-
Group Reorganisation	15 November 2013	(12)		-
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 as part settlement for purchase 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

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 reduce the cost of capital.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity has pursued investments to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 7. Business combinations

The formation of Vocation has brought together under common ownership three leading Australian private VET Providers. Subsequent to this reorganisation which included Vocation Limited being established as BAWM's parent/holding entity, as explained in note 1, the parent entity also acquired 100% of Avana Group Pty Ltd ('AVANA') and its controlled entities, CSIA Pty Ltd ('CSIA') and its controlled entities, Aspin Pty Ltd and Student Hub Pty Ltd. These entities were the founding companies.

This completed the group reorganisation on 6 December 2013.

Some of the founding companies have been working closely together prior to the formation of Vocation, to deliver training outcomes. For example, BAWM has provided back office support, outsourced student and data management functions to CSIA for the last three years. CSIA and AVANA have also collaborated since early 2013 to deliver a national training program to ISS. The founding companies are also complementary businesses, both in terms of their geographic strengths and industry focus. AVANA specialises in delivery of VET services to the tourism, hospitality, retail and community services industries, predominantly in New South Wales, Western Australia and Tasmania; BAWM's strength lies in delivering VET and related services to the transport and logistics, manufacturing, construction and community services sectors in Victoria; and CSIA specialises in delivery of vocational training and ancillary services to the management, business and customer service segments, particularly in New South Wales, Victoria, South Australia and Queensland.

Acquired receivables
The fair value of acquired trade receivables is $2,578,000 The gross contractual amount for trade receivables due is $3,123,000 of which $560,000 is expected to be uncollectible.

Revenue and profit contribution
The acquired business contributed revenues of $30,269,000 and net profit of $3,015,000 to the consolidated entity for the period from 9 December 2013 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, consolidated revenue and profit for the year ended 30 June 2014 would have increased by $12,852,000 and $3,343,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 July 2013, together with the consequential tax effects.

Acquisition-related costs
Acquisition-related costs of $12,200,000 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

Note 7. Business combinations (continued)

Details of the fair value acquisition in $'000 are as follows:

	Avana	CSIA	Aspin	Student Hub	Total Fair value
Cash and cash equivalents	252	509	293	13	1,067
Trade and other receivables	2,457	2,204	1,418	208	6,287
Other current assets	88	79	-	-	167
Plant and equipment	85	78	11	-	174
Intellectual property	883	595	365	-	1,843
Customer contracts and relationships	8,332	9,784	-	-	18,116
Software	1,388	-	-	2,260	3,648
Memberships	-	126	-	-	126
Licences	300	300	100	-	700
Deferred tax asset	160	62	-	-	222
Trade payables	(554)	(1,280)	(1,184)	-	(3,018)
Provision for income tax	-	(400)	-	-	(400)
Employee benefits	(224)	(53)	(28)	-	(305)
Deferred tax liability	(2,729)	(3,046)	(30)	-	(5,805)
Other liabilities	(509)	-	(413)	(592)	(1,514)
Net assets acquired	9,929	8,958	532	1,889	21,308
Goodwill	50,704	90,280	15,541	11,406	167,931
Acquisition-date fair value of the total consideration transferred	60,633	99,238	16,073	13,295	189,239
Representing:					
Cash paid or payable to vendor	39,483	64,798	16,073	2,640	122,994
Vocation Limited shares issued to vendor	21,150	34,440	-	10,655	66,245
	60,633	99,238	16,073	13,295	189,239

Purchase consideration – cash outflow

Cash used to acquire business, net of cash acquired:					
Acquisition-date fair value of the total consideration transferred	39,483	64,798	16,073	2,640	122,994
Less: cash and cash equivalents	(252)	(509)	(293)	(13)	(1,067)
Net cash used	39,231	64,289	15,780	2,627	121,927

The goodwill is attributable to the workforce, potential growth in student numbers, diversification and synergistic benefits for the consolidated entity. The business combination is provisional as at 30 June 2014.

Note 7. Business combinations (continued)

Australian College of Applied Education Pty Ltd and Australian School of Management Pty Ltd
On 30 April 2014, the parent entity acquired 100% of the issued share capital of the Australian College of Applied Education Pty Ltd ('ACAE') based in Western Australia.

The parent entity also acquired 50% of the issued capital of the Australian School of Management Pty Ltd ('ASM'), an associated higher education provider, with an option to acquire the remaining 50%.

The acquisitions are highly consistent with the consolidated entity's stated strategy of diversification, and will accelerate entry into new geographies and student cohorts by leveraging licences held by ACAE and ASM across the consolidated entity's existing platform.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	1,450
Trade receivables	789
Prepayments and other assets	161
Land and buildings - Leasehold improvements	564
Intellectual property	481
Licences	491
Intercompany payable	(47)
Trade payables	(296)
Other payables	(158)
Provision for income tax	(17)
Employee benefits	(98)
Deferred revenue	(1,774)
Deferred tax liability	(147)
Net assets acquired	1,399
Goodwill	3,186
Acquisition-date fair value of the total consideration transferred	4,585
Representing:	
Cash paid or payable to vendor	2,125
Put/call option (note ii)	2,460
	4,585
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	2,125
Less: cash and cash equivalents	(1,450)
Net cash used	675

The goodwill is attributable to the workforce, potential growth in student numbers, diversification and synergistic benefits for the consolidated entity. The business combination is provisional as at 30 June 2014.

Note 7. Business combinations (continued)

Acquired receivables
The fair value of acquired trade receivables is $780,000. The gross contractual amount for trade receivables due is $807,000, of which $27,000 is expected to be uncollectible.

Non-controlling interests and deferred consideration
The consolidated entity recognises non-controlling interests in an acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. The consolidated entity has elected to not recognise the non-controlling interests in the remaining 50% share of the acquired net identifiable assets of ASM due to the existence of a call option to acquire the remaining 50% at the consolidated entity's discretion. The value of this call option has been treated as deferred consideration.

Revenue and profit contribution
The acquired businesses contributed revenues of $1,091,000 and net profit of $165,000 to the consolidated entity for the period from 1 May 2014 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, consolidated revenue and profit for the year ended 30 June 2014 would have increased by $4,718,000 and $340,000 respectively.

Acquisition-related costs

Acquisition-related costs of $55,000 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

Note 7. Business combinations (continued)

Oil Group Holdings Pty Limited (Real Institute) and its controlled entities
On 31 May 2014 the parent entity acquired 100% of the issued share capital of Oil Group Holdings Pty Limited ('Real') a national and multi-award winning education and training provider with a strong presence in Queensland, New South Wales and Western Australia. It offers courses across multiple industries, with a particular focus on the logistics industry and the labour hire market, where it provides industry-based training that allows students to be placed directly into sustainable employment after completing their qualifications.

The acquisition is highly complementary, providing additional scale, geographic and industry diversification, and exposure to new sources of revenue and new enterprise clients

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	307
Trade receivables	1,049
Income tax refund due	62
Other receivables	232
Accrued revenue - unbilled revenue	2,429
Prepayments and deposits	167
Plant and equipment	500
Website	31
Intellectual property	1,258
Customer contracts and relationships	8,740
Licence	50
Deferred tax asset	112
Trade payables	(1,970)
Borrowings	(74)
Other provisions	(76)
Deferred tax liability	(3,366)
Net assets acquired	9,451
Goodwill	47,484
Acquisition-date fair value of the total consideration transferred	56,935
Representing:	
Cash paid or payable to vendor	41,035
Shares issued to vendor	7,000
Contingent consideration (see below)	8,900
	56,935
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	41,035
Less: cash and cash equivalents	(307)
Net cash used	40,728

The goodwill is attributable to the workforce, potential growth in student numbers, diversification and synergistic benefits for the consolidated entity. The business combination is provisional as at 30 June 2014.

Note 7. Business combinations (continued)

Contingent consideration
In the event that Real achieves a normalised earnings before interest, tax, depreciation and amortisation ('EBITDA') of $9,000,000 for the financial year ending 30 June 2014, additional consideration of up to $7,000,000 will be payable in shares in September 2014. The value of these shares could increase if the EBITDA target exceeds $9,000,000 (or could decrease if the EBITDA target is below $9,000,000). The maximum consideration under this tranche is however capped at $10,000,000. The fair value of the contingent consideration of $8,900,000 was estimated with reference to the expected EBITDA of Real from the June 2014 management forecasts.

Acquired receivables
The fair value of acquired trade receivables is $1,049,000. The gross contractual amount for trade receivables due is $1,049,000, all of which is expected to be collectible.

Revenue and profit contribution
The acquired business contributed revenues of $2,895,000 and net profit of $1,230,000 to the consolidated entity for the period from 1 June 2014 to 30 June 2014.

If the acquisition had occurred on 1 July 2013, consolidated revenue and profit for the year ended 30 June 2014 would have increased by $16,769,000 and $2,431,000 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 July 2013, together with the consequential tax effects.

Acquisition-related costs
Acquisition-related costs of $2,690,000 are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

Note 8. Events after the reporting period

On 1 July 2014, the parent entity acquired 100% of the issued share capital of Endeavour College of Natural Health ('Endeavour'), one of Australia's leading providers of higher education and vocational training in the health and wellness sector.

The acquisition will significantly diversify the consolidated entity's revenue sources as Endeavour currently attracts no state or federal funding. The acquisition also significantly strengthens the consolidated entity's position in the higher education market, broadens its educational offering by providing further exposure in the growing health and wellness sector, and delivers an established and high quality national campus footprint which significantly improves the consolidated entity's overall geographic exposure.

The financial effects of this transaction have not been brought to account at 30 June 2014. The operating results, assets and liabilities of the company will be consolidated from 1 July 2014.

Note 8. Events after the reporting period (continued)

The provisionally determined fair values of the assets and liabilities of Endeavour as at the date of acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	206
Trade receivables	21,194
Inventories	406
Other current assets	1,670
Plant and equipment	7,114
Other intangible assets	28,781
Deferred tax asset	2,612
Income in advance	(16,864)
Trade payables	(2,591)
Borrowings	(11,211)
Provision for income tax	(1,808)
Employee benefits	(725)
Other provisions	(4,210)
Deferred tax liability	(713)
Net assets acquired	23,861
Goodwill	59,083
Acquisition-date fair value of the total consideration transferred	82,944
Representing:	
Cash paid or payable to vendor	82,994

The goodwill is attributable to Endeavour strong position and trading in the higher education market and synergies expected to arise after the company's acquisition of the new subsidiary.

Acquisition related costs
Acquisition related costs of $3,316,000 are included in other expenses as part of loss and in operating as flows in the statement of cash flows.

A final dividend of 3.2 cents per share for the year ended 30 June 2014 will be paid on 10 October 2014 to shareholders registered on 1 September 2014.

No other matter or circumstance has arisen since 30 June 2014 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 9. Earnings per share

	Consolidated	
	2014 (unaudited) $'000	2013 (unaudited) $'000
Profit after income tax attributable to the owners of Vocation Limited	8,272	4,737

Note 9. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	149,925,902	83,753,529
Adjustments for calculation of diluted earnings per share:		
Contingent consideration *	237,144	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	150,163,046	83,753,529

	Cents	Cents
Basic earnings per share	5.52	5.66
Diluted earnings per share	5.51	5.66

* Weighted average number of ordinary shares, based on the 2,885,246 shares, that will be issued in September 2014.