

VOCATION PROSPECTUS

Vocation Limited ABN 95 166 631 330

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Joint Lead Managers



MACQUARIE



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IMPORTANT INFORMATION

Offer

The Offer contained in this Prospectus is an invitation by Vocation Limited (ABN 95 166 631 330) ("Vocation" or "Company") and SaleCo to acquire fully paid ordinary shares in Vocation ("Shares").

Key terms used in the industry in which Vocation operates, and referred to in this Prospectus, are explained in the VET Glossary (refer to Section 10). Other defined terms and abbreviations used in this Prospectus are explained in the General Glossary (refer to Section 11).

Lodgement and Listing

This Prospectus is dated 27 November 2013 and a copy was lodged with the Australian Securities and Investments Commission ("ASIC") on that day. This is a replacement prospectus which replaces the prospectus dated 18 November 2013 ("Initial Prospectus") and lodged with ASIC on that day ("Prospectus Date").

The Company applied to ASX Limited ("ASX") within seven days after the Prospectus Date for admission of the Company to the Official List and quotation of its Shares on ASX. None of ASIC, ASX or their officers takes any responsibility for the contents of this Prospectus or for the merits of the investment to which this Prospectus relates.

Vocation and SaleCo disclaim all liability, whether in negligence or otherwise, to persons who trade Shares before receiving their holding statement.

Expiry Date

No Shares will be issued on the basis of this Prospectus later than 13 months after the Prospectus Date.

Not investment advice

The information in this Prospectus is not financial product advice and does not take into account your investment objectives, financial situation or particular needs.

It is important that you read this Prospectus carefully and in its entirety before deciding whether to invest in the Company.

In particular, you should consider the risk factors that could affect the performance of Vocation. You should carefully consider these risks in light of your personal circumstances (including financial and tax issues) and consider seeking professional guidance from your accountant, financial adviser or other independent professional adviser before deciding whether to invest in Shares. Some of the key risk factors that should be considered by prospective investors are set out in Section 5. There may be risk factors in addition to these that should be considered in light of your personal circumstances.

Except as required by law, and only to the extent required, no person named in this Prospectus, nor any other person, warrants or guarantees the performance of Vocation or the repayment of capital or any return on investment made pursuant to this Prospectus.

This Prospectus includes information regarding past performance of the Founding Companies. Investors should be aware that past performance of the Founding Companies is not indicative of future performance of Vocation.

No person is authorised to give any information or to make any representation in connection with the Offer described in this Prospectus which is not contained in this Prospectus. Any information not so contained may not be relied upon as having been authorised by the Company, SaleCo, the Joint Lead Managers or any other person in connection with the Offer. You should rely only on information in this Prospectus.

Financial information presentation

The Historical Financial Information included in this Prospectus has been prepared and presented in accordance with the recognition and measurement principles prescribed in the Australian Accounting Standards, except where otherwise stated.

The Forecast Financial Information included in this Prospectus is unaudited and is based on the best estimate assumptions of the Directors. The basis of preparation and presentation of the Forecast Financial Information is, to the extent applicable, consistent with the basis of preparation and presentation of the Historical Financial Information.

The Historical Financial Information and the Forecast Financial Information in this Prospectus should be read in conjunction with, and are qualified by reference to, the information contained in Section 4.

Market information

Several government agency and other vocational and education training market publications have been used in the preparation of this document. This information should not be used as the sole basis for any business or investment decision. The entities, agencies or individuals behind these publications do not make any representation or recommendation regarding the Company, this Prospectus or the Offer.

Forward looking statements

This Prospectus contains forward looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'expects', 'intends' and other similar words that involve risks and uncertainties. In addition, consistent with customary market practice in offerings in Australia, Forecast Financial Information has been prepared and included in this Prospectus in Section 4.

The Company and SaleCo have no intention to update or revise forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

Any forward looking statements are subject to various risk factors that could cause Vocation's actual results to differ materially from the results expressed, implied or anticipated in these statements. The Forecast Financial Information and other forward looking statements should be read in conjunction with, and are qualified by reference to, the risk factors set out in Section 5, the general and specific assumptions set out in Section 4.7.1 and Section 4.7.2, the sensitivity analysis set out in Section 4.8 and other information in this Prospectus.

This Prospectus, including the industry overview in Section 2, uses market data, industry forecasts and projections. Vocation and SaleCo have obtained portions of this information from market research prepared by third parties. There is no assurance that any of the forecasts or projections contained in the reports, surveys and research of third parties which are referred to in this Prospectus will be achieved. Vocation and SaleCo have not independently verified this information. Estimates, forecasts and projections involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in Section 5.

No offering where offering would be illegal

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia.

The Offer is not being extended to any investor outside Australia, other than to certain Institutional Investors as part of the Institutional Offer in certain jurisdictions. The distribution of this Prospectus outside Australia may be restricted by law and persons who come into possession of this Prospectus outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. For details of selling restrictions that apply to the Shares in certain jurisdictions outside of Australia, refer to Section 9.2.1.

This Prospectus may not be distributed to, or relied upon by, persons in the United States or who are US Persons. The Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state of the United States, and may not be offered or sold in the United States, or to or for the account or benefit of a US Person, except in a transaction exempt from the registration requirements of the US Securities Act and applicable United States state securities laws.

Exposure Period

The Corporations Act prohibits Vocation and SaleCo from processing Applications in the seven day period after the date of lodgement of the Initial Prospectus ("Exposure Period"). The Exposure Period may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable the Prospectus to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on any Applications received during the Exposure Period.

Obtaining a copy of this Prospectus

A paper copy of the Prospectus is available free of charge to any person in Australia by calling the Vocation Share Offer Hotline on (+61) 1800 285 677 from 8.30am to 5.30pm (Sydney Time) Monday to Friday (Business Days only).

This Prospectus is also available to Australian resident investors in electronic form at the Offer website, www.vocationshareoffer.com.au. The Offer constituted by this Prospectus in electronic form is available only to Australian residents accessing the website from within Australia. It is not available to persons in any other jurisdiction (including the United States). Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

Applications

Applications may only be made during the Offer Period on the appropriate Application Form attached to, or accompanying, this Prospectus in its paper copy form, or in its electronic form which must be downloaded

in its entirety from www.vocationshareoffer.com.au. By making an Application, you represent and warrant that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to, or accompanied by, this Prospectus in its paper copy form or the complete and unaltered electronic version of this Prospectus.

No cooling-off rights

Cooling-off rights do not apply to an investment in Shares issued under the Prospectus. This means that, in most circumstances, you cannot withdraw your Application once it has been accepted.

References

Unless otherwise stated or implied, references to times in this Prospectus are to Sydney Time. Unless otherwise stated or implied, references to dates or years are calendar year references. All financial amounts contained in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and sums and components in tables contained in this Prospectus are due to rounding.

Photographs and diagrams

Photographs and diagrams in this Prospectus do not depict assets owned or used by Vocation unless otherwise indicated, and are for illustration only and should not be interpreted to mean that any person shown in them endorses this Prospectus or its contents. Diagrams used in the Prospectus are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the Prospectus Date.

Trademarks

Registered or common law trademarks, service marks, or trade names appearing in this Prospectus are the property of the Founding Companies or Vocation. Other trademarks, service marks or trade names appearing in this Prospectus are the property of their respective owners.

Privacy

By completing an Application Form, you are providing personal information to the Company, SaleCo and the Share Registry, which is contracted by the Company to manage Applications. The Company, SaleCo and the Share Registry on its behalf, collect, hold and use that personal information to process your Application, service your needs as a Shareholder, provide facilities and services that you request and carry out appropriate administration.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and details of the Shares you hold) to be included in the Shareholder register. The information must continue to be included in the Shareholder register if you cease to be a Shareholder. If you do not provide all the information requested, your Application Form may not be able to be processed.

The Company, SaleCo and the Share Registry may disclose your personal information for purposes related to your investment to their agents and service providers including those listed below or as otherwise authorised under the Privacy Act 1988 (Cth):

- the Share Registry for ongoing administration of the Shareholder register;
- the Joint Lead Managers in order to assess your Application;
- printers and other companies for the purpose of preparation and distribution of documents and for handling mail;
- market research companies for the purpose of analysing the Company's shareholder base and for product development and planning; and
- legal and accounting firms, auditors, management consultants and other advisers for the purpose of administering, and advising on, the Shares and for associated actions.

You may request access to your personal information held by or on behalf of the Company and SaleCo. You can request access to your personal information or obtain further information about Vocation's privacy practices by contacting the Share Registry. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. Vocation and SaleCo aim to ensure that the personal information they retain about you is accurate, complete and up-to-date. To assist with this, contact the Share Registry if any of the details you have provided change.

In accordance with the requirements of the Corporations Act, information on the Shareholder register will be accessible by members of the public.

Offer management

The Offer is managed by Macquarie Capital (Australia) Limited and UBS AG, Australia Branch as the Joint Lead Managers.

This document is important and should be read in its entirety.

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Key Offer dates¹

Initial Prospectus lodgement date	18 November 2013
Broker Firm Offer and Priority Offer period opens ("Opening Date")	2.00pm on 27 November 2013
Broker Firm Offer and Priority Offer period closes ("Closing Date")	5.30pm on 4 December 2013
Settlement	5 December 2013
Allotment	6 December 2013
Commencement of trading on ASX on an unconditional and deferred settlement basis	9 December 2013
Despatch of holding statements	10 December 2013
Commencement of trading on ASX on a normal settlement basis	11 December 2013

¹ This timetable is indicative only and may change without notice. Unless otherwise indicated, all times are stated in Sydney Time. The Joint Lead Managers, by agreement with Vocation and SaleCo, reserve the right to vary the times and dates of the Offer, including to extend the Closing Date, close the Offer early or accept late Applications (either generally or in particular cases and without notifying any recipient of this Prospectus or Applicants), or withdraw the Offer at any time before the Shares are issued, at their discretion. Prospective investors are encouraged to submit their Applications as soon as possible after the Opening Date.

Key Offer statistics

Total number of Shares offered under the Offer ¹	134.0 million
Number of Shares to be held by Founders, Directors, Vocation's management and employees at Completion of the Offer ²	66.0 million
Total number of Shares on issue at Completion of the Offer	200.0 million
Offer Price	\$1.89 per Share
Market capitalisation at the Offer Price ³	\$378.0 million
Enterprise value ⁴ / pro forma consolidated FY2014 forecast EBITA ^{5,6}	10.5x
Enterprise value ⁴ / pro forma consolidated FY2014 forecast EBIT ⁵	12.3x
Offer Price / pro forma consolidated FY2014 forecast NPATA ⁶ per Share ⁵	15.3x
Implied FY2014 forecast dividend yield (based on pro forma NPATA) ⁷	4.6%
Implied FY2014 forecast dividend yield (based on statutory NPATA) ⁷	1.7%

¹ Includes the issue of Shares by Vocation and the transfer of Existing Shares by SaleCo.

² A subset of these Shares which are held by Executive Founders, certain Vendor Founders, Directors and the CFO at Completion of the Offer will be subject to voluntary Escrow Arrangements. See Section 9.6 for further details of these voluntary Escrow Arrangements.

³ Market capitalisation is determined by multiplying the number of Shares on issue by the price at which the Shares trade on ASX from time to time. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation will be lower.

⁴ Enterprise value is calculated as market capitalisation at the Offer Price less pro forma net cash of \$11.5 million as calculated in Section 4.4.

⁵ The Forecast Financial Information set out in Section 4.7 has been prepared on the basis of the best estimate assumptions set out in Sections 4.7.1 and 4.7.2 and should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 4, including the sensitivities set out in Section 4.8, and the risk factors set out in Section 5.

⁶ Excludes amortisation of acquired intangibles. Includes amortisation of capitalised course material development costs and depreciation expenses of \$0.5 million and \$0.6 million, respectively.

⁷ The implied FY2014 forecast dividend yield (based on pro forma NPATA) is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 60% to 80% of the FY2014 pro forma forecast NPATA) divided by the Offer Price. The implied FY2014 forecast dividend yield (based on statutory NPATA) is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 60% to 80% of the FY2014 statutory forecast NPATA) divided by the Offer Price. When determining the dividend to be paid in relation to the six months ending 30 June 2014 the Board intends to determine the appropriate payout ratio and apply it to the statutory NPATA for that period. For more information on Vocation's dividend policy, refer to Section 4.9.

The replacement Prospectus differs from the Initial Prospectus. Differences relate to further detail on the use of EBITA as a financial measure by Vocation in Section 4.2.3, acquisition accounting in Figures 4.4.1 and 4.4.2, the basis of preparation for the Direct revenue bridge Q1 FY2014 to FY2014 in Section 4.7.2 and accounting for capitalised course material development costs in Appendix A. Section 6.3.2 now also includes disclosure of the actual number of shares the CFO will receive under the Performance Rights Plan, Section 6.3.6 includes additional disclosure regarding which Shares held by Steve Tucker will be subject to escrow, and Section 9.14.1 includes additional disclosure regarding the fees to be paid to brokers and advisers under the Broker Firm Offer. In addition, the lodgement of a replacement Prospectus has also required certain references to the "Prospectus" to be amended to refer to the "Initial Prospectus" and to reflect the fact that an application has been lodged to ASX for admission of Vocation to the Official List and for quotation of its Shares on the ASX.

Defined terms and abbreviations used in this Prospectus are explained in the VET Glossary in Section 10 and the General Glossary in Section 11.

Letter from the Chairman



18 November 2013

Dear Investor,

On behalf of the Board of Directors, it is my pleasure to invite you to become a shareholder in Vocation Limited ("Vocation" or "Company").

Three established private providers of vocational education and training ("VET") in Australia, AVANA, BAWM and CSIA (together, "Founding Companies"), and some ancillary businesses ("Ancillary Businesses") will be combined to form Vocation ("Merger"). Each of the Founding Companies is a leading Australian private VET provider in its own right, and some of the Founding Companies have been working closely together over the last three years to deliver training outcomes for Australian individuals and organisations. The Founding Companies are complementary businesses in terms of their geographic strengths and industry focus. Although Vocation's management believes there will be a range of potential benefits from operating under the new Vocation structure, management intends to adopt a sensible and considered timeframe for the operational integration of the Founding Companies.

Vocation will be one of Australia's largest private providers of VET and ancillary services, with over 24,000 new course enrolments in FY2013, 78 qualifications offered and eight individual registered training organisations ("RTOs") located throughout Australia, with multiple revenue sources and training delivery methods including a rapidly growing online platform.

Following Listing, Vocation will have operations across three key business channels:

- **Enterprise**, which will deliver customised workforce-based training and development solutions to employees of Australian corporate and government clients;
- **Direct**, which will be an individual consumer-focused offering, providing training directly to individual students; and
- **Solutions**, which will provide outsourced managed services and other ancillary services to third party VET providers, learning and development businesses and industry specialists in Australia. The Solutions business channel will broadly consist of three areas of operation: RTO Edge, technology solutions and consulting. RTO Edge, the major business line in the Solutions channel, provides outsourced managed services, including systems and compliance support, to third parties that want to deliver VET programs within the Australian Qualifications Framework ("AQF") in partnership with an RTO.

Recent and ongoing government and regulatory reforms, including the transition by various states and territories to a demand driven funding model and increasing compliance requirements, have created structural change in the VET sector. The Board of Directors and Vocation's management believe that now is the right time to establish a listed VET provider with the scale and resources required to take advantage of the opportunities arising from these developments. With a national footprint and identity, broad educational scope and a multidisciplinary qualification offering, customised content, and robust systems and processes for ensuring regulatory compliance, Vocation will be well positioned to deliver training and ancillary services to a diverse base of clients including corporations, government departments, individual students and other training providers.

Vocation is subject to a range of risks, which are more fully detailed in Section 5. Some of the key risks to the business include: the potential loss of government funding contracts or access to government funding programs; changes to the levels of government funding and support for the VET sector; loss of one or more of Vocation's registrations to operate as a VET provider; a reduction in course enrolments through loss of contracts or a reduction in the volume of training undertaken through Vocation; a reversal or delay in implementation by any of the states and territories of a demand driven funding model; failure to successfully execute Vocation's growth strategies or integrate the Founding Companies and Ancillary Businesses; an increase in competition or deterioration in the competitive position of Vocation; impairment of the material value of intangible assets which will be recognised on Vocation's balance sheet following the Merger; a loss of key management personnel; and the potential for the Founders to exert significant influence on Vocation. If any of these key risks or other material risks eventuates, it may have an adverse impact on Vocation's operations, earnings and financial position.

As Vocation commences this new and exciting chapter of its history, we look forward to welcoming you as a Shareholder.

Yours faithfully,

John Dawkins, AO
Non-Executive Chairman



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SECTION 1

Investment overview

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INTRODUCTION

What is Vocation?

At Listing, Vocation will be formed through the Merger, which will involve the combination of the Founding Companies and the Ancillary Businesses. Each of the Founding Companies is a leading Australian private VET provider in its own right.

Vocation will be a full-service private 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 Company will be organised into three business channels: Enterprise, Direct and Solutions. Vocation will deliver education and training services to employees of Australian corporate and government clients through its Enterprise business channel and individual students through its Direct business channel, while its Solutions business channel will provide outsourced managed services and other ancillary services to third party VET providers, learning and development businesses and industry specialists in Australia.

Vocation intends to be a nationally recognised and trusted brand in the VET sector and to capture the considerable opportunities presented by the recent and ongoing structural changes in the VET sector.

For more information: Section 3

What are the Founding Companies?

Vocation's Founding Companies were separately established as private providers of VET services in Australia. The Founding Companies have over 18 years of collective operating experience in the Australian VET sector, and some of the Founding Companies have been working closely together over the last three years to deliver training outcomes for Australian individuals and organisations. The Founding Companies have developed into some of the leading private providers of VET and ancillary services in their respective specialist fields.

For more information: Section 3.10

What is the rationale for creating Vocation?

The Directors and Vocation's management believe that the formation of Vocation will provide many benefits including:

- opportunity to take advantage of structural changes in the VET industry;
- operating and financial scale;
- a national footprint;
- complementary service offerings;
- a scalable platform; and
- combination of management expertise and access to capital in order to lead consolidation in the private VET sector.

For more information: Sections 3.1 and 3.10

Why is the Offer being conducted?

The Offer is being conducted:

- to provide liquidity for the Founders and an opportunity for others to invest in Shares;
- to provide Vocation with the benefits of an increased profile that arises from being a listed public company; and
- to provide Vocation with access to the capital markets to enhance its ability to pursue growth opportunities.

For more information: Section 7.1.1

SECTION 1: INVESTMENT OVERVIEW

What consideration are the Founders receiving for the Founding Companies?

The Founders will receive consideration through a combination of cash and the issue of Founder Shares. Founder Shares issued to certain Vendor Founders, including each of the Executive Founders, will be subject to escrow until the first business day after Vocation's FY2015 results are released, at which time 50% will be released from escrow. The remaining 50% will be released from escrow on the first business day after the release of Vocation's FY2016 financial results.

Mark Hutchinson, Chief Executive Officer ("CEO") and Executive Director of Vocation, will receive gross consideration structured as 50% Founder Shares and 50% cash. All other Executive Founders will receive gross consideration structured as 33% Founder Shares and 67% cash. In each case, certain deductions will be made from the gross cash component of the consideration to reflect the Company's costs of the Offer and to provide working capital for the Company.

The Vendor Founders will receive their consideration on Completion of the Offer. The BAWM Founders have received Founder Shares for the sale of BAWM Pty Ltd to Vocation prior to the Prospectus Date and will receive cash consideration from the sale of a proportion of those Founder Shares by SaleCo under the Offer.

Ownership of Vocation following Completion of the Offer

	Shares (millions)	%
Executive Founders (subject to escrow) ¹	37.0	18.5%
Certain Vendor Founders ² , Directors, Vocation's management and employees (subject to escrow) ¹	24.8	12.4%
Certain Vendor Founders ² , Directors, Vocation's management and employees (not subject to escrow)	4.2	2.1%
Shareholders pursuant to the Offer	134.0	67.0%
Total	200.0	100.0%

1. See Section 9.6 for further information on the voluntary Escrow Arrangements.

2. Excludes Executive Founders.

At Completion of the Offer, 30.9% of the Shares will be subject to the voluntary Escrow Arrangements discussed in Section 9.6.

For more information: Sections 7.1.3, 7.5 and 9.6**How will Vocation earn its income?**

Vocation's primary sources of revenue will be Commonwealth, state and territory government funding schemes, fee-for-service training fees, and fees earned from outsourced managed services to training organisations, technology solutions, consulting and related activities. Vocation generated approximately 80% of its pro forma FY2013 consolidated revenue from Commonwealth, state and territory government funding schemes. Given the important role of public funding to the VET sector in addressing skills shortages, the strong contribution of public funding to Vocation's pro forma consolidated revenue mix reflects the Company's alignment with, and responsiveness to, government policy.

For more information: Sections 3 and 4.6.1.1

KEY STRENGTHS AND INVESTMENT HIGHLIGHTS

Strong industry fundamentals and favourable industry disruptors

Total VET sector revenue was \$8.8 billion in 2012, having grown at a compound annual growth rate ("CAGR") of 7.6% since 2006.

The Australian labour market is experiencing a high level of change, underpinning strong demand for a skilled, innovative and flexible workforce. VET is critical to developing this workforce.

A number of structural changes occurring in the VET sector have created considerable opportunities for a VET provider such as Vocation, including:

- Victoria and South Australia have transitioned to a demand driven funding model, and a number of other Australian states and territories have signalled an intention to make a similar transition during 2014 and 2015. A demand driven funding model will allow private VET providers to compete more effectively with Technical and Further Education institutes ("TAFE institutes");
- VET FEE-HELP – extension of the Commonwealth Government's income-contingent education loan program to students pursuing vocational education; and
- regulatory reform proposed by the National Skills Standards Council ("NSSC") which, if implemented, is expected to lead to higher regulatory benchmarks for the RTO sector.

For more information: Section 2

Leading market position and diverse business model

The combination of the Founding Companies, as well as the Ancillary Businesses, will position Vocation to enhance the strengths of each business as part of a group with increased scale, educational scope, and diversity of clients and government funding contracts. The Company will be one of the largest private VET providers in Australia by number of new course enrolments and is expected to benefit from its:

- comprehensive VET offering, with 78 nationally accredited courses across a range of industries;
- broad geographic footprint, with VET services delivered in all states and territories across Australia;
- access to 16 state and territory government funding contracts across Australia, as well as various Commonwealth Government funding programs;
- diversified student recruitment model in the Direct channel and business development model in the Enterprise channel;
- diverse and quality Enterprise customer base including blue-chip clients such as Ford, Telstra, ANZ Banking Group, Tenix and Queensland Rail; and
- proven model of providing outsourced managed services, including systems and compliance support, to other VET providers and learning and development businesses through RTO Edge and VETtrak.

For more information: Section 3

Significant and increasing barriers to entry

The VET sector is highly regulated to ensure quality and consistency of qualification outcomes, with substantial establishment and ongoing compliance requirements that provide larger scale operators with adequate back office processes to manage compliance requirements with a competitive advantage. Recent reforms to the VET sector proposed by the NSSC indicate a continuation of the trend towards regulation focused on ensuring consistent quality of outcomes across the sector.

Other barriers to entry include access to government funding contracts, intellectual property, proprietary content, geographic reach, client relationships and ability to recruit students.

For more information: Section 2.4

SECTION 1: INVESTMENT OVERVIEW

Clearly identified strategic growth path

Vocation will pursue a targeted growth strategy focused on capitalising on the structural changes occurring in the VET sector. Vocation's immediate focus will be centred on organic business growth through a clearly defined strategic plan.

The highly fragmented nature of the VET sector and the challenges that recent and ongoing structural changes pose to VET providers lacking sufficient resources and systems have created a range of potential acquisition opportunities for Vocation. No acquisitions have been assumed to be completed in FY2014 in the preparation of the Forecast Financial Information.

For more information: Section 3.9

Section 4.7 contains the assumptions underlying the Forecast Financial Information

Earnings visibility and predictability

Vocation's visibility on future earnings is supported by:

- visibility of revenue from existing Direct channel student enrolments, and existing agreements with Enterprise and Solutions clients; and
- the fact that individual training programs are typically 12-24 months in length, with revenue received as students progress through training programs.

For more information: Section 3.2

Experienced management team and Board of Directors

Vocation will have an experienced leadership team with the Board and senior management having over 70 years of combined education industry experience.

The Board will include Non-Executive Chairman John Dawkins AO, a former Treasurer of Australia and Minister for Employment, Education and Training and the Chairman of the NSSC.

For more information: Sections 6.1 and 6.2

KEY RISKS**Loss of state or territory government funding contracts, or access to Commonwealth Government funding programs**

At Listing, Vocation will have 16 state and territory government funding contracts across Australia, and will have access to various Commonwealth Government funding programs. These state and territory contracts outline the terms and conditions under which Vocation will receive funding for the delivery of training to eligible individuals, which includes ongoing reporting and audit requirements. There is a risk that Vocation could lose one or more of these contracts for breaches or non-compliance, or as a result of the change of control of its RTOs which will occur upon Listing.

For more information: Section 5.2.1

Change in government funding and support arrangements for the VET sector

A large proportion of the revenue received by private VET providers is derived from government grants and subsidies. Similarly, a significant proportion of Vocation's revenue is derived from Commonwealth, state and territory government funding. Funding from various governments accounted for approximately 80% of Vocation's pro forma consolidated revenue in FY2013. If any government decides to reduce funding available to the VET sector generally, to the segments of the VET sector in which Vocation operates, or to Vocation specifically, this could have a material adverse impact on Vocation's earnings and financial position.

For more information: Figure 3.2.5 and Sections 2.3.3 and 5.2.2

Regulatory factors	<p>The Australian VET sector is highly regulated. The registration of an RTO is subject to audit and review for re-registration every five years, and audits may also be prompted by applications for changes to scope of registration.</p> <p>While Vocation's eight RTOs currently hold relevant registrations to operate as VET providers, there is no guarantee that these registrations will be retained into the future. During their respective periods of registration, each of Vocation's eight RTOs must remain compliant with their conditions of registration. Non-compliance by any of Vocation's RTOs and any associated regulatory response may have an adverse impact on Vocation's reputation, operations, future earnings and financial position.</p> <p>For more information: Section 5.2.3</p>
Delay or loss of contracts	<p>Vocation has contracts or terms of business in place with Commonwealth, state and territory governments and various Enterprise and Solutions clients. Typically, these contracts can be terminated on relatively short notice by Vocation's clients. The loss or delay in implementation of any such contract may have a material adverse impact on Vocation's earnings and financial position.</p> <p>In addition, contracts with clients typically do not guarantee a minimum volume of student numbers or course enrolments. Therefore, there is also a risk that one or more clients may reduce the volume of training undertaken through Vocation, or delay a training program, which could have a material adverse impact on Vocation's earnings and financial position.</p> <p>For more information: Section 5.2.4</p>
Demand driven funding model	<p>Victoria, South Australia and Queensland are currently at varying stages of implementation of a demand driven funding model, while a number of other states and territories have stated an intention to transition to a demand driven funding model in the near future. If there is a reversal or delay of any of these state or territory governments in their implementation of a demand driven funding model, this could have a material adverse impact on Vocation's earnings and financial position.</p> <p>For more information: Sections 2.1.3 and 5.2.5</p>
Growth strategy execution	<p>There is a risk that Vocation may not be able to successfully execute the growth strategies outlined in Section 3.9. For example, Vocation may not achieve the growth in student numbers or course enrolments that are forecast, or the national expansion of its RTO Edge business or AVANA Sky online delivery model may not eventuate as intended.</p> <p>For more information: Sections 3.9 and 5.2.6</p>
Formation of Vocation	<p>Vocation is to be formed through the Merger. The Merger is conditional upon the Underwriting Agreement not being terminated or adversely varied, but will be completed prior to Listing. The formation of Vocation will result in a number of specific risks including risks relating to:</p> <ul style="list-style-type: none"> ■ integration of the Founding Companies and the Ancillary Businesses; ■ due diligence, execution and liability risks associated with the merging of the Founding Companies and with the Offer; and ■ change in corporate governance requirements as a result of Vocation being a listed public company. <p>For more information: Section 5.2.7</p>

SECTION 1: INVESTMENT OVERVIEW

Increased competition and change in market structure

The market for VET services in Australia is highly competitive. Vocation will compete with other VET providers including private RTOs, public TAFE institutes and, to a lesser extent, other tertiary education providers.

In order to compete effectively, Vocation must meet each of these competitive challenges from existing market participants as well as respond effectively to any changes in the competitive landscape. The competitive landscape may evolve, for example, through the entry of new competitors into the market, the consolidation of existing market participants, or a change in government policy which affects the distribution of public funding to the VET sector.

For more information: Section 5.2.8

Section 4.8 provides a sensitivity analysis outlining the impact of changes in material assumptions supporting the Forecast Financial Information

Impairment of intangible assets

As a result of the Merger, Vocation will recognise a material value of intangible assets on its balance sheet relating to goodwill and identifiable intangible assets, principally client contracts and relationships, training materials, licences and software.

Under Australian Accounting Standards, goodwill and indefinite life intangible assets must be regularly tested for impairment. If impaired, Vocation would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on Vocation's earnings and financial position.

For more information: Sections 4.4 and 5.2.10

Loss of key personnel

As a services company, a key element of Vocation's performance is the recruitment and retention of effective and qualified employees. Vocation faces the following risks in relation to personnel:

- loss of Executive Founders and other key management personnel;
- loss of other key employees; and
- failure to attract and retain qualified personnel required to execute the Company's planned growth strategy.

If any of these risks were to materialise, it could have a material adverse impact on Vocation's operations, earnings and financial position.

For more information: Section 5.2.11

Founders' influence on Vocation

At Completion of the Offer and following the Merger, the Founders will collectively own 32.0% of the outstanding Shares. Although these Shareholders are generally unrelated, there exists the potential for them to exert a significant degree of influence over Vocation's management and affairs. Accordingly, there is a risk that these investors may make decisions that do not accord with, or are not in the best interests of, other Shareholders.

For more information: Section 5.4.1

For additional risks which may adversely impact the future operating and financial performance of Vocation and the value of the Shares, refer to Section 5.

KEY FINANCIAL INFORMATION

Key Offer statistics

Key Offer statistics

Total number of Shares offered under the Offer ¹	134.0 million
Number of Shares to be held by Founders, Directors, Vocation's management and employees at Completion of the Offer ²	66.0 million
Total number of Shares on issue at Completion of the Offer	200.0 million
Offer Price	\$1.89 per Share
Market capitalisation at the Offer Price ³	\$378.0 million
Enterprise value ⁴ /pro forma consolidated FY2014 forecast EBITA ^{5,6}	10.5x
Enterprise value ⁴ /pro forma consolidated FY2014 forecast EBIT ⁵	12.3x
Offer Price/pro forma consolidated FY2014 forecast NPATA ⁶ per Share ⁵	15.3x
Implied FY2014 forecast dividend yield (based on pro forma NPATA) ⁷	4.6%
Implied FY2014 forecast dividend yield (based on statutory NPATA) ⁷	1.7%

1. Includes the issue of Shares by Vocation and the transfer of Existing Shares by SaleCo.
2. A subset of these Shares which are held by Executive Founders, certain Vendor Founders, Directors and the CFO at Completion of the Offer will be subject to voluntary Escrow Arrangements. See Section 9.6 for further details of these voluntary Escrow Arrangements.
3. Market capitalisation is determined by multiplying the number of Shares on issue by the price at which the Shares trade on ASX from time to time. Shares may not trade at the Offer Price after Listing. If Shares trade below the Offer Price after Listing, the market capitalisation will be lower.
4. Enterprise value is calculated as market capitalisation at the Offer Price less pro forma net cash of \$11.5 million as calculated in Section 4.
5. The Forecast Financial Information set out in Section 4.7 has been prepared on the basis of the best estimate assumptions set out in Sections 4.7.1 and 4.7.2 and should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 4.7, including the sensitivities set out in Section 4.8, and the risk factors set out in Section 5.
6. Excludes amortisation of acquired intangibles. Includes amortisation of capitalised course material development costs and depreciation expenses of \$0.5 million and \$0.6 million, respectively.
7. The implied FY2014 forecast dividend yield (based on pro forma NPATA) is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 60% to 80% of the FY2014 pro forma forecast NPATA) divided by the Offer Price. The implied FY2014 forecast dividend yield (based on statutory NPATA) is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 60% to 80% of the FY2014 statutory forecast NPATA) divided by the Offer Price. When determining the dividend to be paid in relation to the six months ending 30 June 2014 the Board intends to determine the appropriate payout ratio and apply it to the statutory NPATA for that period. For more information on Vocation's dividend policy, refer to Section 4.9.

For more information: Section 7

SECTION 1: INVESTMENT OVERVIEW

What are the key investment metrics and financial information?

A selected summary of Vocation's Pro Forma Forecast Results and other Forecast Financial Information is set out below. Prospective investors should read Section 4 for full details of Vocation's Pro Forma Forecast Results and Statutory Forecast Results (which will differ significantly from the Pro Forma Forecast Results) and the assumptions underlying this information.

Selected Forecast Financial Information ¹	FY2014F Pro Forma Forecast Results (\$ million)	FY2014F Statutory Forecast Results (\$ million)
Revenue	118.3	105.1
EBITA	34.9	12.8
EBIT	29.8	10.0
NPATA	24.7	9.1
NPAT	19.6	6.3

1. The Forecast Financial Information set out in Section 4.7 has been prepared on the basis of the best estimate assumptions set out in Sections 4.7.1 and 4.7.2 and should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 4.7, including the sensitivities set out in Section 4.8, and the risk factors set out in Section 5.

Summary of pro forma forecast investment metrics	FY2014F
Enterprise value ¹ /pro forma consolidated FY2014 forecast EBITA ²	10.5x
Enterprise value ¹ /pro forma consolidated FY2014 forecast EBIT ²	12.3x
Offer Price/pro forma consolidated FY2014 forecast NPATA ² per Share	15.3x
Implied FY2014 forecast dividend yield (based on pro forma NPATA) ³	4.6%
Implied FY2014 forecast dividend yield (based on statutory NPATA) ³	1.7%

1. Enterprise value is calculated as market capitalisation at the Offer Price less pro forma net cash of \$11.5 million as calculated in Section 4.
2. The Forecast Financial Information set out in Section 4.7 has been prepared on the basis of the best estimate assumptions set out in Sections 4.7.1 and 4.7.2 and should be read in conjunction with the discussion of the Historical Financial Information and the Forecast Financial Information in Section 4.7, including the sensitivities set out in Section 4.8, and the risk factors set out in Section 5.
3. The implied FY2014 forecast dividend yield (based on pro forma NPATA) is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 60% to 80% of the FY2014 pro forma forecast NPATA) divided by the Offer Price. The implied FY2014 forecast dividend yield (based on statutory NPATA) is calculated as the implied dividend per Share (assuming the midpoint of the current target dividend payout ratio range of 60% to 80% of the FY2014 statutory forecast NPATA) divided by the Offer Price. When determining the dividend to be paid in relation to the six months ending 30 June 2014 the Board intends to determine the appropriate payout ratio and apply it to the statutory NPATA for that period. For more information on Vocation's dividend policy, refer to Section 4.9.

For more information: Section 4**When will dividends be paid?**

The Board expects that dividends will be paid in March and September each year, and will be franked to the maximum extent possible.

There will be no dividend for H1 FY2014. The first dividend is anticipated to be paid in respect of earnings for the six months ending 30 June 2014, expected to be paid in September 2014.

The Directors intend to target a payout ratio of between 60% and 80% of NPATA.

The Directors do not provide any assurance of the future level of dividends or the extent to which they are franked, and there may be periods in respect of which dividends are not paid. However, as the majority of Vocation's profits are derived in Australia, franking credits are expected to be generated.

The Board's intention is that Vocation will have a dividend reinvestment plan, however it has not been assumed to be activated by Vocation during the Forecast Period.

For more information: Section 4.9

EXPERIENCE AND BACKGROUND OF THE DIRECTORS AND SENIOR MANAGEMENT

Who are the Directors and senior management of Vocation?

Directors

- John Dawkins AO, Non-Executive Chairman;
- Mark Hutchinson, Executive Director and CEO;
- Steve Tucker, Non-Executive Director;
- Michelle Tredenick, Non-Executive Director; and
- Doug Halley, Non-Executive Director.

Senior management

- Mark Hutchinson, Executive Director and CEO;
- Manvinder Gréwal, Chief Financial Officer;
- Wendy Bonnici, Chief Operating Officer;
- Jonathan Smuskowitz, Executive Manager;
- Michael Langtree, Executive Manager, Education; and
- Adj. Prof. Brett Whitford, Executive Manager.

For more information: Sections 6.1 and 6.2

SIGNIFICANT INTERESTS OF KEY PERSONS AND OTHER PARTIES CONNECTED WITH VOCATION OR THE OFFER

No controlling interest in Vocation

The Board does not expect any Shareholder to have a controlling interest in Vocation immediately after Listing.

For more information: Sections 7.5 and 7.7

What significant benefits and interests are payable to Directors and other persons connected with the issuer or the Offer?

Key people	Interest or benefit	For more information
Founders	<ul style="list-style-type: none"> ■ Sale of interest in the Founding Companies and Ancillary Businesses 	Sections 9.4 and 9.5
Leadership team	<ul style="list-style-type: none"> ■ Remuneration ■ Short term incentive plan ■ Performance Rights Plan 	Sections 6.3 and 9.7
Directors	<ul style="list-style-type: none"> ■ Directors fees ■ Performance Rights Plan¹ 	Sections 6.3 and 9.7
Advisors and other service providers	<ul style="list-style-type: none"> ■ Fees for services 	Section 9.17

1. *The Performance Rights Plan is only applicable to the Chairman and other Non-executive Directors in respect of the inaugural grant prior to Listing. See section 9.7.2 for further details.*

In addition to the Founders, the following Directors will receive benefits separate to their remuneration. On Completion of the Offer, John Dawkins will be paid a cash sum of \$1.2 million by CSIA for his past services rendered to CSIA.

Immediately prior to completion of the Merger, Steve Tucker will receive a transfer of 287,964 AVANA shares from Mark Hutchinson for past services rendered to AVANA; on completion of the Acquisitions these AVANA shares will be exchanged for Shares which are expected to have a value of approximately \$300,000. These Shares will not be subject to the voluntary Escrow Arrangements outlined in Section 9.6.

For more information: Sections 6.3, 9.4, 9.5, 9.6, 9.7 and 9.17

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SECTION 1: INVESTMENT OVERVIEW

PROPOSED USE OF FUNDS AND KEY TERMS AND CONDITIONS OF THE OFFER

Who is the issuer of the Prospectus? Vocation, a company incorporated in Victoria, Australia (ABN 95 166 631 330), and SaleCo.

What is the Offer? Vocation will raise approximately \$142.6 million from the issue of Shares under the Offer. SaleCo will raise approximately \$110.7 million from the transfer of certain Existing Shares under the Offer, with a total of 58.6 million Existing Shares being transferred at the Offer Price. The Offer will consist of the Broker Firm Offer, the Priority Offer and the Institutional Offer, with a total of 134.0 million Shares being issued or transferred at the Offer Price.

In addition, under this Prospectus, Vocation will issue Shares to certain Vendor Founders, Directors and Vocation's management, principally as part of the consideration that the Vendor Founders will receive for the sale of their shares in the Vendor Founding Companies.

For more information: Section 7.1

What is the proposed use of funds raised pursuant to the Offer?

Sources and uses of funds	(\$ million)
Sources of funds	
Issue of Shares	142.6
Transfer of Existing Shares	110.7
Total sources	253.3
Uses of funds	
Payment to Vendor Founders by Vocation	122.6
Payment to the BAWM Founders by SaleCo	102.7
Payment to reimburse Vendor Founders and BAWM Founders for costs of the Offer incurred by them	1.6
Payment of remaining costs of the Offer	16.4
Increase in cash and cash equivalents	10.0
Total uses	253.3

For more information: Section 7.1.3

How many Shares will be on issue following Completion of the Offer?

Shares on issue	(million)
Shares on issue on Completion of the Offer	200.0
Made up of:	
Shares held by Founders, Directors and Vocation's management	66.0
Other Shares	134.0

For more information: Section 7.5

Will the Shares be quoted?

Vocation has applied to ASX for admission to the Official List of ASX and quotation of Shares on ASX (which is expected to be under the code "VET"). Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

For more information: Section 7.8

How is the Offer structured?

The Offer comprises:

- the Broker Firm Offer, which consists of an offer of Shares to sophisticated and retail investors in Australia who have received a firm allocation from their Broker;
- the Priority Offer, which consists of an offer to Priority Offer Investors invited by Vocation to participate in the Offer; and
- the Institutional Offer, consisted of an invitation to bid for Shares made to Institutional Investors in Australia, and a number of other eligible jurisdictions.

For more information: Section 7.1

Is the Offer underwritten?

Yes. The Offer is fully underwritten by the JLMs.

For more information: Section 9.14

What is SaleCo and what role does it play in the Offer?

SaleCo, a special purpose vehicle, has been established to enable the BAWM Founders to sell a portion of their investment in Vocation. The BAWM Founders have executed a deed poll in favour, and for the benefit, of SaleCo under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Completion of the Offer. As at the Prospectus Date, the BAWM Founders have irrevocably offered to sell approximately 58.6 million Existing Shares to SaleCo.

The Existing Shares which SaleCo acquires from the BAWM Founders will be transferred to successful Applicants under the Offer for the Offer Price.

For more information: Section 9.5

What is the allocation policy?

The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the JLMs, in consultation with Vocation and SaleCo, having regard to the allocation policies.

The allocation of Shares among participants in the Institutional Offer was determined by the JLMs, in consultation with Vocation and SaleCo.

For Broker Firm Offer participants, Brokers will decide as to how they allocate Shares among their retail clients.

For Priority Offer participants, Vocation will decide in its absolute discretion how to allocate Shares, provided those allocations (in aggregate) do not exceed 1,158,201 Shares.

For more information: Sections 7.9.5, 7.9.7 and Section 7.10.2

Is there any brokerage, commission or stamp duty payable by Applicants?

No brokerage, commission or stamp duty is payable by Applicants on acquisition of Shares under the Offer.

For more information: Section 7.8

What are the tax implications of investing in the Shares?

Shareholders will be subject to Australian tax on dividends. The tax consequences of any investment in the Shares will depend upon an investor's particular circumstances, particularly for non-Australian tax residents. Applicants should obtain their own tax advice prior to deciding whether to invest.

For more information: Section 9.10

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SECTION 1: INVESTMENT OVERVIEW

How can I apply for Shares?

You may apply for Shares under the Offer by completing a valid Application Form attached to or accompanying this Prospectus or available for download for applicants in Australia at www.vocationshareoffer.com.au.

To the extent permitted by law, an application under the Offer is irrevocable.

For more information: Section 7.9.2

When will I receive confirmation that my Application has been successful?

It is expected that initial holding statements will be despatched by standard post on or about 10 December 2013.

Refunds to Applicants under the Priority Offer who make an Application and are scaled back, will be made as soon as possible post Settlement of the IPO, which is expected to occur on or about 10 December 2013. No refunds will be made where the overpayments relate solely to rounding at the Offer Price.

For more information: Section 7.8

When can I sell my Shares on ASX?

It is expected that trading of the Shares on ASX will commence on or about 9 December 2013, on an unconditional but deferred settlement basis until despatch of the holding statements. Shares are expected to commence trading on ASX on a normal settlement basis on or about 11 December 2013.

It is the responsibility of each Applicant to confirm its holding before trading in Shares. Applicants who sell Shares before they receive an initial holding statement do so at their own risk.

For more information: Section 7.8

Can the Offer be withdrawn?

Vocation and SaleCo reserve the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants.

If the Offer does not proceed, Application Monies will be refunded to Applicants. No interest will be paid on any Application Monies refunded as a result of the withdrawal of the Offer.

For more information: Section 7.12

What happens if Completion of the Offer does not occur?

If Completion of the Offer does not occur, the Merger will not proceed in the manner outlined in this Prospectus. However, the Founding Companies may choose to merge in another manner including taking steps to unwind some or all of the steps which they have already completed at that time (including by cancelling any Founder Shares that may have been issued), subject to obtaining any relevant shareholder approvals at that time.

Where can I find more information about this Prospectus or the Offer?

If you require more information about this Prospectus or the Offer, call the Vocation Offer Information Line on (+61) 1800 285 677 from 8.30am to 5.30pm Sydney Time Monday to Friday (Business Days only).

If you are unclear in relation to any matter or are uncertain as to whether Vocation is a suitable investment for you, you should seek professional guidance from your accountant, financial adviser, stockbroker, lawyer or other independent professional adviser before deciding whether to invest.

SECTION 2

Industry overview

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SECTION 2: INDUSTRY OVERVIEW

2.1 INTRODUCTION

The Australian education system is broadly divided into three levels: primary school, secondary school and tertiary education. Each level comprises both public (government funded) and private (independently funded) institutions, although the majority of private institutions also receive some government funding. Tertiary education is further divided into two sectors: higher education (which includes universities) and VET (which includes TAFE institutes and private training providers). Both sectors are highly regulated and primarily financed through Commonwealth, state and territory government funding.

Higher education and VET form a continuum within the AQF, which is the national policy for regulated qualifications in the Australian education and training system. VET courses are typically shorter than higher education courses, are practical in nature, have an industry and trade focus and are delivered at a Certificate to Associate Degree level by a registered training organisation ("RTO"), which can be a TAFE institute or a private VET provider. Higher education courses typically take three years or longer to complete, are academic in nature and are delivered by universities at the Degree level and above. However, there is significant overlap in that a TAFE institute or private VET provider may offer Degrees, and universities may offer Certificates and Diplomas.

Figure 2.1.1: Australian tertiary education sector overview

	VET	Higher education
Key features	<ul style="list-style-type: none"> Typically shorter courses (less than three years) Practical in nature Industry and trade focus 	<ul style="list-style-type: none"> Typically longer courses (three years or more) Academic in nature Profession focus
Qualifications typically offered	<ul style="list-style-type: none"> Certificate I-IV Diploma and Advanced Diploma Associate Degree 	<ul style="list-style-type: none"> Bachelor Degree Honours Graduate Diploma Master's Degree Doctoral Degree
Providers	<ul style="list-style-type: none"> TAFE institutes Universities with vocational divisions Private VET providers 	<ul style="list-style-type: none"> Universities TAFE institutes Private VET providers

Key terms used in the industry in which Vocation operates, and referred to in this Prospectus, are explained in the VET Glossary (refer to Section 10). Other defined terms and abbreviations used in this Prospectus are explained in the General Glossary (refer to Section 11).

2.1.1 What Is VET?

VET refers to the provision of education, training and assessment activities leading to accredited outcomes offered by RTOs. Training and education organisations that are not RTOs can partner with an RTO to deliver AQF qualifications.

The VET sector aims to deliver a productive, adaptable and highly skilled workforce by enabling Australians to develop skills and qualifications across a wide range of industries. This is achieved through nationally recognised training, which is designed to ensure that training meets the standards required by industry, and provide individuals who obtain nationally recognised qualifications with confidence that the skills and knowledge they attain are recognised and valued across Australia.

The Australian labour market is currently experiencing a high level of change, driven by a range of factors including technological change, changing composition of the workforce including an increasing proportion of part-time employment, globalisation and the "Asian century", and an ageing population and workforce. These factors present both opportunities and challenges, and will underpin strong demand for an increasingly skilled, innovative and flexible workforce. VET is critical to developing this kind of workforce.

2.1.2 Regulation

The VET sector is highly regulated, with considerable entry and ongoing compliance requirements. The existence of nationally recognised qualifications requires appropriate regulation to underpin the delivery, and assure the integrity, of qualifications issued. Effective regulation of the VET sector is critical to the reputation of the sector, the confidence of industry and employers in the value of the qualifications issued by RTOs, and individual learners and employees having the skills to effectively perform in the workforce. Regulatory reforms proposed by the NSSC in June 2013 are designed to increase the requirements for RTO registration and establish a regulatory architecture that is fit for purpose in assuring the integrity of vocational qualifications.

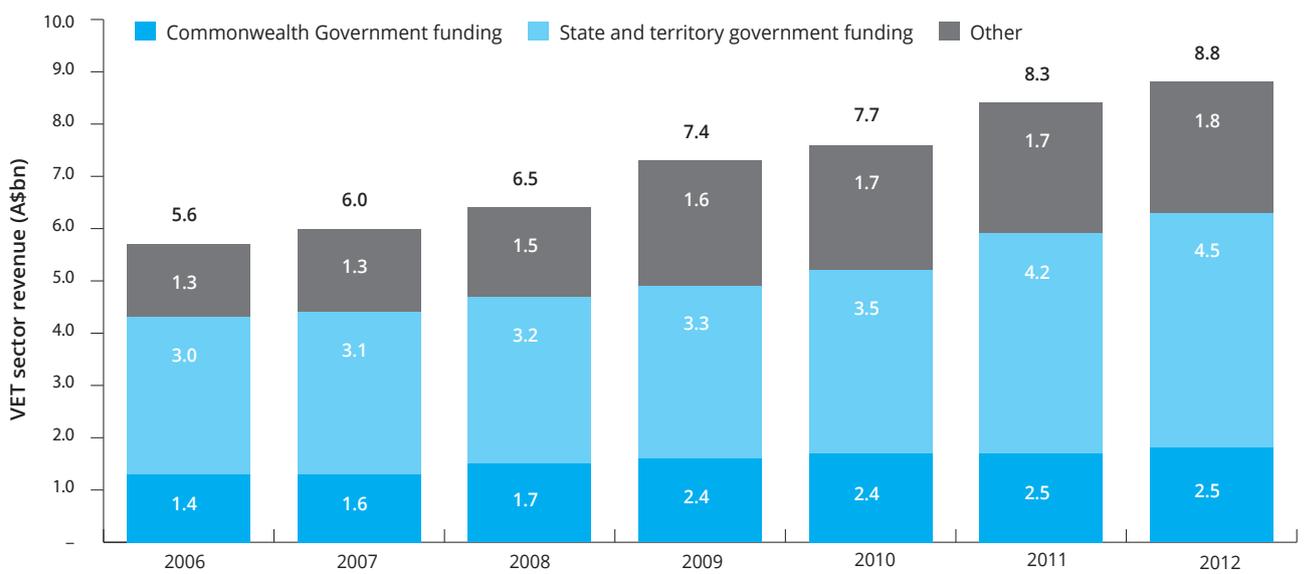
Refer to Section 2.6 for additional detail on regulation of the VET sector.

2.1.3 Government funding

Once a VET provider has achieved registration status as an RTO, this in itself is no guarantee of an ability to access government funding. For example, in order to access state government funding, an RTO must first secure and retain a state government funding contract. Although the requirements to secure a funding contract are different in each state, the process will usually require additional student management and reporting systems to those relating to RTO registration in order to provide transparency and enhance the relevant government's confidence in the RTO's ability to deliver quality training outcomes and satisfy financial viability risk assessment requirements. For example, in Victoria, RTOs are required to submit various types of information each year including financial information, business plans and student records. They are also subject to a specific audit regime targeting their quality assurance framework.

According to the National Centre for Vocational Education Research (“NCVER”), total government funding to the VET sector has continually increased over the last five years, and is expected to continue increasing. In 2012, \$7.0 billion of funding was provided by the Commonwealth, state and territory governments, compared to \$4.7 billion in 2007, representing a CAGR of 8.2%. Industry and political concern for national skills shortages is expected to underpin continued growth in government funding to the VET sector.

Figure 2.1.3.1: Total VET sector revenue



Source: NCVER, 2012.

Note: ‘Other’ refers to non-government revenue sources and includes fee-for-service training fees (including international student fees), ancillary trading revenue, student fees and charges.

The demand driven funding model represents a fundamental shift in the nature of VET funding. Demand driven funding (also referred to as “fully contestable” or “entitlement-based” funding) describes a funding model whereby individuals meeting specific criteria are deemed to be eligible for access to government-subsidised VET programs, with funding then following the choice of the individual (or their employer) to competing providers (for example, TAFE institutes or private providers). The demand driven funding model typically relates to government funding provided by the states and territories, which is in addition to VET funding provided by the Commonwealth Government.

The concept of a demand driven funding model is in varying stages of implementation across Australia, with Victoria and South Australia the first to implement it in 2009 and 2012, respectively, and Queensland having

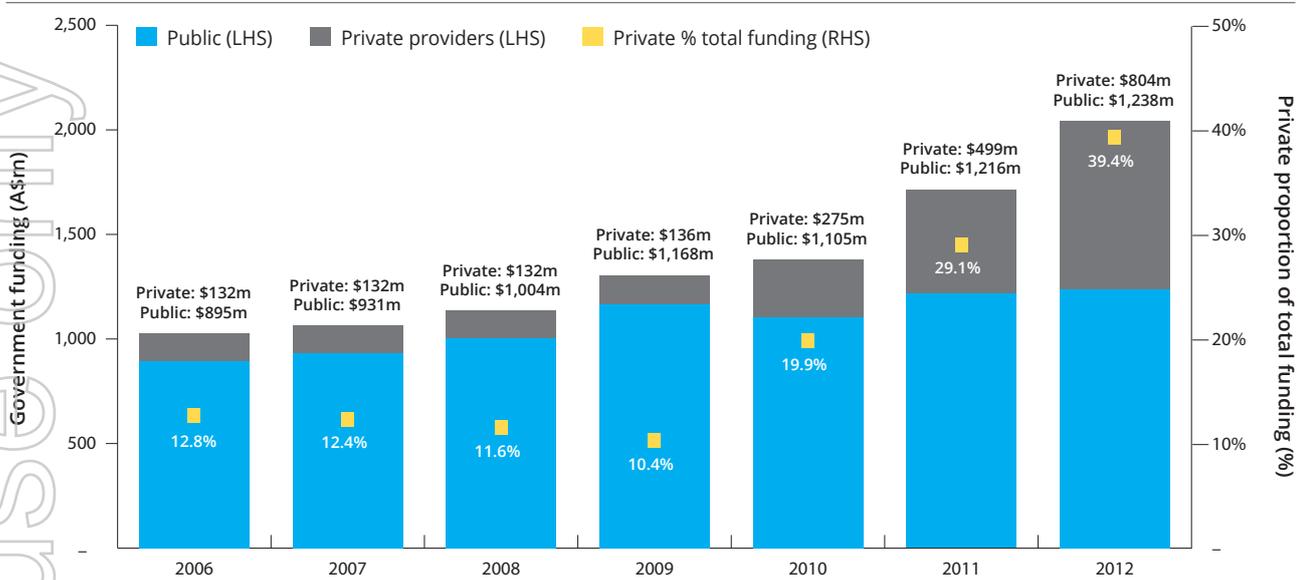
introduced a pilot scheme in July 2013 with a view to implementing the scheme more broadly by July 2014. Victoria provides an indication of the potential growth that can follow from the introduction of a demand driven funding model. In the three years since the new funding system, referred to as the VTG, was implemented in 2009, there has been a significant shift in the funding split between TAFE institutes and private VET providers. Figure 2.1.3.2 illustrates that Victorian government funding to private VET providers increased from \$136 million (10.4% of total funding) in 2009 to \$804 million (39.4% of total funding) in 2012, which represents a CAGR of 80.8%, compared to total government funding which grew at a CAGR of 16.1% over the same period.

Total funding provided by the Victorian government has also increased from \$1.3 billion in 2009 to \$2.0 billion in 2012 in response to the growing demand for VET services.

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SECTION 2: INDUSTRY OVERVIEW

Figure 2.1.3.2: Victorian government VET funding to public and private VET providers

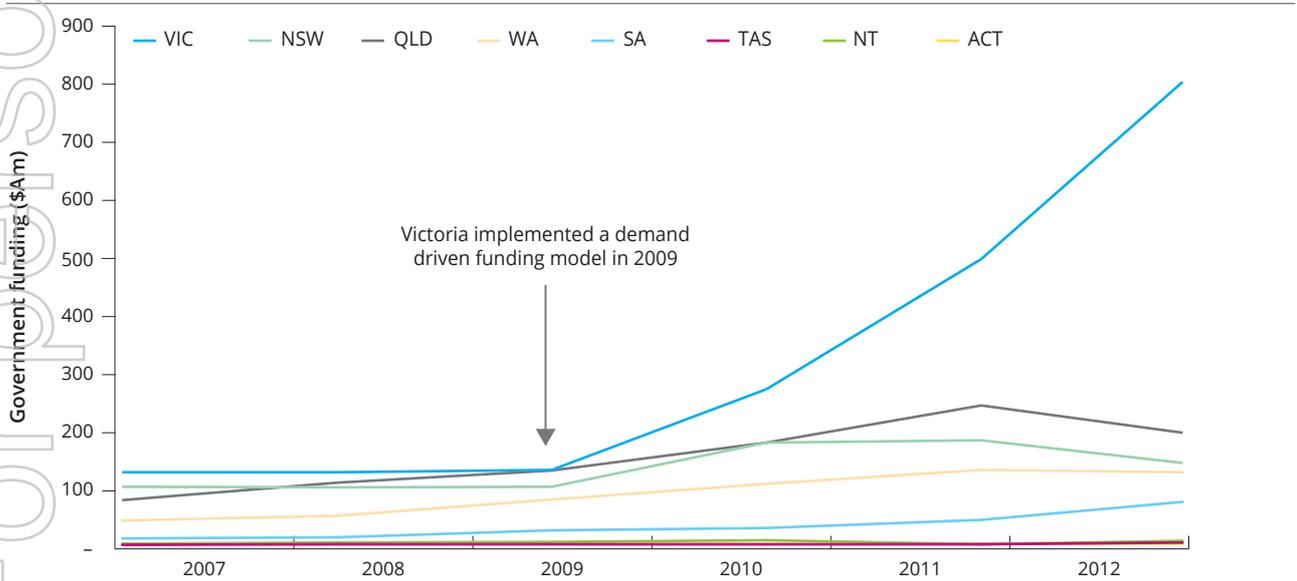


Source: NCVER, 2012.

Note: 'Private providers' refers to funding provided to private VET providers as per NCVER Financial Information 2012. 'Public' is calculated as the difference between total Victorian government funding of VET less funding provided to private providers.

The impact of the demand driven funding model on the distribution of government funding in Victoria is also demonstrated by Figure 2.1.3.3, which illustrates the significant growth in funding by the Victorian government to private VET providers since 2009, relative to both prior years in Victoria and to all other states and territories in all years shown.

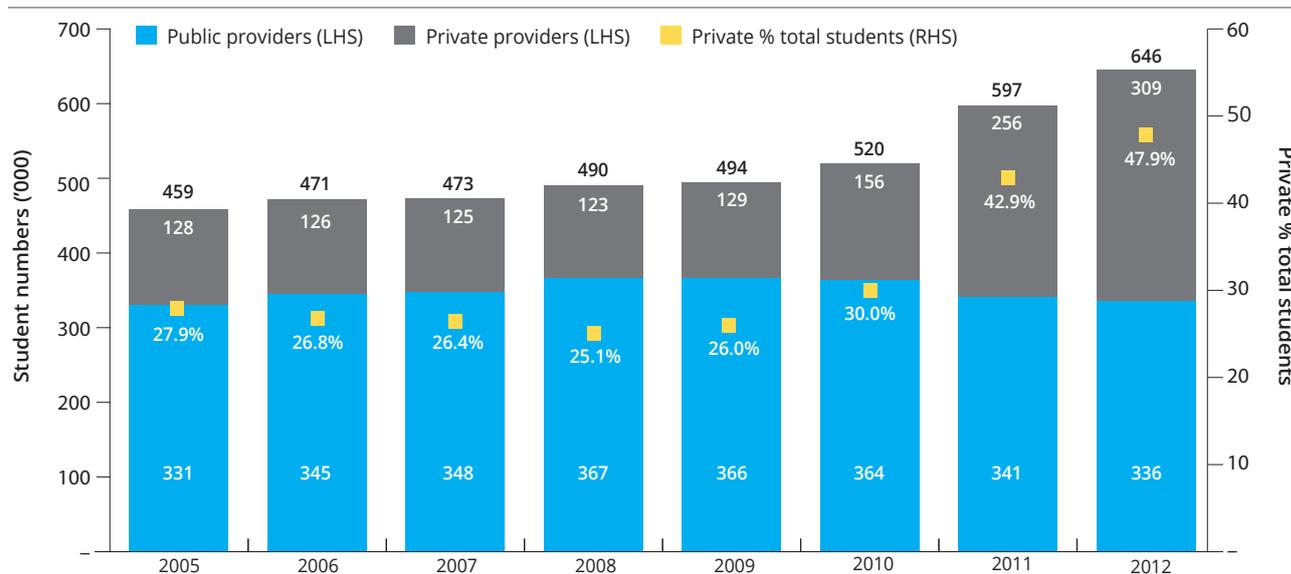
Figure 2.1.3.3: State and territory government funding to private VET providers



Source: NCVER, 2012.

Students enrolled in courses with private VET providers also increased as a percentage of total students in government-subsidised VET courses in Victoria from 26.0% in 2009 to 47.9% in 2012, with students displaying an increased preference towards private training provision. Vocation's management believes this trend has been driven by the ability of private VET providers to recruit students, offer courses that meet student and industry needs and provide improved outcomes.

Figure 2.1.3.4: VET student numbers in Victoria



Source: NCVET, 2012.

Note: Private providers includes all VET providers other than TAFE institutes or other government providers.

The Victorian Minister for Higher Education and Skills, The Honourable Peter Hall, recently described Victoria as one of the most dynamic, responsive and efficient training markets in Australia. Some of the benefits achieved in Victoria following the implementation of a demand driven funding model include:

- increased VET access and participation;
- placement of the needs of learners (as purchasers of training) at the centre of the VET system;
- increased competition, market information and reporting standards across the VET sector, resulting in increased accountability, flexibility and quality of training delivery;
- improved targeting of government-subsidised training and better flexibility to respond quickly to changing market conditions by allowing the informed choices of individuals and employers, rather than central planning, to drive funding allocations; and
- an ongoing focus on stimulating demand among 'harder to reach' learners, including disadvantaged and marginalised individuals.

The second Australian state to implement a demand driven funding model was South Australia, which in July 2012 introduced the Skills for All program. Although the full year impact of the new funding model will not be apparent until 2013 data becomes available, the proportion of state government funding received by private VET providers in South Australia did increase from 12.4% in 2011 to 22.7% in 2012.

SECTION 2: INDUSTRY OVERVIEW

Following the lead of Victoria and South Australia, state governments in Queensland, Western Australia, New South Wales and Tasmania have announced intentions to transition to a demand driven funding model in 2014 and 2015. The table below provides an overview of each state's actual or target date of implementation of a demand driven funding model.

State	Commencement of demand driven model	Total population (million)
Victoria	2009	5.7
South Australia	2012	1.7
Queensland	July 2014 ^{1, 2}	4.7
Western Australia	January 2014 ¹	2.5
Tasmania	December 2014 ¹	0.5
New South Wales	January 2015 ¹	7.4

Sources: Australian Bureau of Statistics, NCVER, state government websites.

1. Target implementation date.

2. Pilot scheme introduced in July 2013.

2.1.4 Evolving nature of the VET sector

The VET sector in Australia has experienced considerable evolution and change over the last two decades, including:

- growth in fee-for-service training delivery;
- increase in delivery of training to students based offshore;
- technological advances and innovation in the nature and methods of training delivery and assessment, and back office student management and reporting;
- increased overlap and blurring between the schools, VET and higher education sectors, including the emergence of dual and multi-sector providers;
- implementation by a number of states of a demand driven funding model, which has resulted in a more open and competitive VET market, and also led to the requirement for regulation focused on ensuring consistent quality of outcomes across the sector; and
- extension of the Commonwealth Government's income-contingent Higher Education Loan Program ("FEE-HELP", referred to as "VET FEE-HELP" in the VET context) to approved private VET providers at the Diploma level and above, which aims to make VET qualifications more accessible by reducing the upfront burden of tuition fees.

2.2 VET MARKET STRUCTURE

Australia's VET sector is based on the interactions of students, RTOs, governments and industry. VET qualifications are provided by RTOs, which are training providers that have made a commitment to meeting nationally approved and regularly audited quality standards. RTOs include TAFE institutes and other government providers, as well as registered private providers. Private providers include private training organisations, business colleges, industry associations, adult and community organisations and employers.

The VET sector provides qualifications to students in order to provide the necessary knowledge and skills to attain a job, progress their career or satisfy industry and regulatory requirements of existing employment. Students include school leavers, other job seekers, employed individuals and international students. International students have driven considerable growth in the VET sector over the last two decades; however, following changes to immigration legislation in recent years their role has reduced somewhat. Proposed changes to 457 visa legislation are expected to facilitate greater access for international students to the Australian VET sector.

Commonwealth, state and territory governments provide funding (including the provision of subsidised training places) and support (including VET FEE-HELP), develop policies and contribute to regulation and quality assurance of the sector. Funding is also provided by industry bodies, employers, and individual students via fees-for-service. Industry and employer groups also contribute to training policies and priorities, and in developing qualifications that deliver skills to the workforce.

VET providers offer an extensive range of courses and programs in subject areas as diverse as arts and entertainment, tourism and hospitality, fashion, business, community services, automotive manufacturing, engineering, science and technology, and building and construction. Students have many options for training and may study individual subjects or full courses that lead to formal qualifications. An individual student may enrol in up to two courses at any particular time, with each course comprising a series of units of competency. Importantly, given the nature of many VET courses which are delivered via flexible methods and without the constraints of formal semesters, new course enrolments can occur on a daily basis and as a result, tend to be roughly evenly distributed throughout the year.

Training takes place in classrooms, in the workplace, online and through other flexible delivery methods. Training and assessment may also be delivered through a combination of different methods (referred to as 'blended learning'). Classroom delivery typically involves small classes, unlike universities where lectures are delivered in some cases to many hundreds of students.

In addition to formal training delivered by RTOs, many people undertake on-the-job training in the workplace or attend training courses that do not necessarily lead to a recognised qualification.

2.3 VET MARKET SIZE

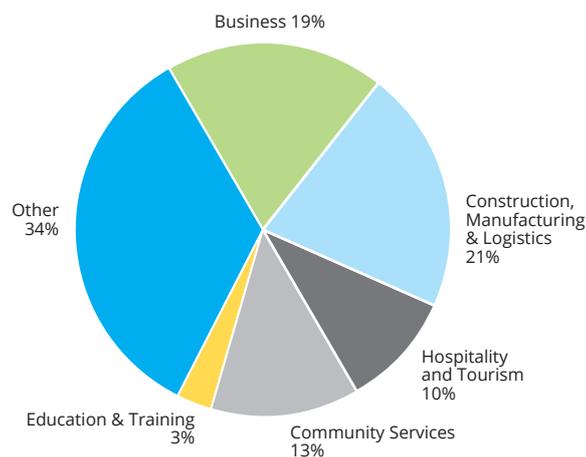
2.3.1 Overview

The Australian VET market consists of approximately 5,000 RTOs, varying from niche providers to large TAFE institutes. However, the majority of these RTOs are relatively small operators. While it is not possible to provide definitive data on all RTOs operating in Australia, in Victoria, which accounted for approximately 80% of Vocation's pro forma new course enrolments within Australia in FY2013, only 552 RTOs (approximately 50% of the 1,077 RTOs operating in the state) received state funding in 2011-12. Of these 552 RTOs, only 26 RTOs (less than 5% of all RTOs on the funding list) receive more than \$5 million in state government funding. Vocation's management believes that these proportions are broadly representative of the national RTO landscape, which suggests a high level of fragmentation across the Australian VET market, a long tail of smaller VET providers, and the funding and regulatory environment favouring established scale providers.

According to the NCVER, an estimated 1.9 million students were enrolled in government-subsidised VET courses in 2012 in Australia. This included 1.5 million students trained in public institutions (including TAFE institutes) and government-funded private training providers, an estimated 366,000 domestic full-fee paying students and approximately 30,400 international full-fee paying students studying in Australia. However, management believes this understates the number of international VET students, as the majority of these students and their fees are received by private RTOs and are not currently recorded in the national statistics.

As illustrated in Figure 2.3.1.1, approximately 63% of all course enrolments in 2012 were related to courses in the fields of business, construction, manufacturing, logistics, hospitality, tourism and community services.

Figure 2.3.1.1: VET course enrolments fragmentation by industry (2012)



Source: NCVER, 2012.

2.3.2 Historic growth in student numbers

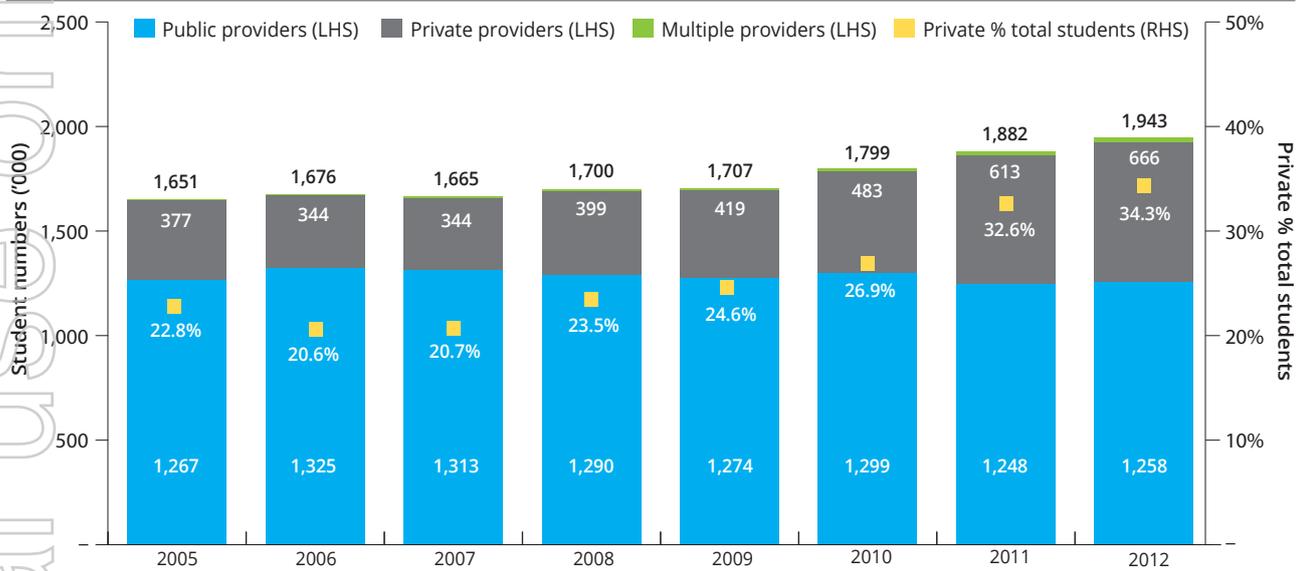
In 2012, approximately 1.9 million students were enrolled in government-subsidised VET courses, an increase of 3.3% (or 61,300 students) on 2011 (refer to Figure 2.3.2.1). However, growth in student numbers varied considerably between the states and territories, with the strongest growth seen in South Australia (15.5% increase) and Victoria (8.2% increase), reflecting the adoption of a demand driven funding model in these states.

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SECTION 2: INDUSTRY OVERVIEW

Over the same period, Tasmania and Queensland experienced a decrease in student numbers, with reductions of 9.4% and 4.5%, respectively, compared to 2011. The Queensland government recently announced its VET Investment Plan 2013-2014 to revitalise the state's VET sector, which includes moving towards a demand driven funding model to increase the capacity of Queensland's training market and improve training accessibility.

Figure 2.3.2.1: Australian VET student numbers



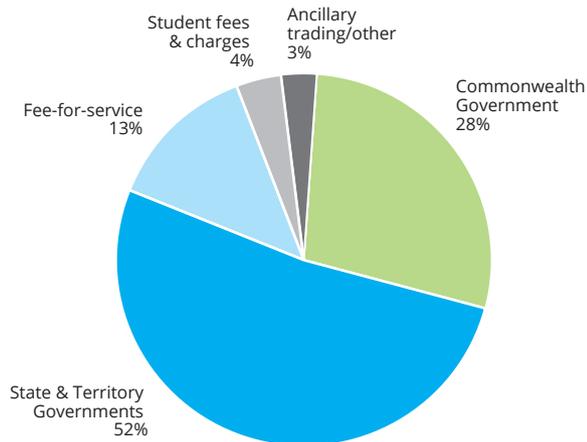
Source: NCVET, 2012.

1. 'Private providers' refers to students enrolled with VET providers that are not TAFE institutes or other government VET providers.
2. 'Multiple providers' refers to students enrolled with both private and public VET providers.

2.3.3 VET sector revenue

NCVER estimates that the total size of the VET sector was around \$8.8 billion in 2012, 80% of which was government funded. NCVER estimates that funding to the VET sector by Commonwealth, state and territory governments totalled \$7.0 billion in 2012, an increase of 17.9% from 2010 and 59.1% from 2006. This consisted of around \$2.5 billion of funding by the Commonwealth Government (around 28% of total VET sector revenue) and approximately \$4.5 billion by the states and territories (around 52% of total VET sector revenue).

Figure 2.3.3.1: VET sector revenue sources (2012)



Source: NCVET, 2012

Note: 'Student Fees and charges' refers to administration fees and charges, including enrolment fees and course material fees. 'Fee-for-service' refers to the non-subsidised component of fees paid for the provision of education and training by students and organisations.

Figure 2.3.3.2: Historical VET sector funding

Year	Government funding (\$bn)			Other ¹ (\$bn)	Total funding (\$bn)
	Commonwealth Government	State & territory governments	Total public funding		
2006	1.4	3.0	4.4	1.3	5.6
2007	1.6	3.1	4.7	1.3	6.0
2008	1.7	3.2	4.9	1.5	6.5
2009	2.4	3.3	5.8	1.6	7.4
2010	2.4	3.5	5.9	1.7	7.7
2011	2.5	4.2	6.6	1.7	8.3
2012	2.5	4.5	7.0	1.8	8.8
2006-12 CAGR	9.6%	7.3%	8.0%	6.0%	7.6%

Source: NCVET, 2012.

1. Other refers to non-government revenue sources and includes fee-for-service training fees (including international student fees), ancillary trading and student fees and charges.

2.4 COMPETITIVE LANDSCAPE

The Australian VET sector comprised approximately 5,000 RTOs in 2012. As explained in Section 2.3.1, Vocation's management believes that the Australian VET sector is characterised by a high level of fragmentation, with a long tail of smaller VET providers who receive less than \$5 million of annual government funding. The industry is currently dominated by 61 government-owned and operated TAFE institutes (including five dual sector universities with TAFE divisions), which enrolled almost 65% of all government-subsidised VET students in 2012. However, the number of private providers has been rising, driven by the adoption of a demand driven funding model in several states (including Victoria since 2009 and South Australia since 2012) and extension of the Commonwealth Government's FEE-HELP scheme to include approved private VET providers since 2008.

Under the demand driven funding model, government funds follow the choices of individuals and employers in their selection of training qualifications and providers, which has resulted in increasing contestability of funding and greater competition between public and private providers. Evidence suggests that in states where a demand driven funding model has been introduced, individuals rapidly moved to exercise their preferences for wider or at least alternative options of training providers, courses, delivery modes and learning environments. Refer to Section 2.1.3 for additional detail.

Vocation will be one of the largest private VET providers in Australia, with more than 24,000 new course enrolments in FY2013. Other large private VET providers include Franklyn Scholar, Talent2 and Careers Australia.

There are a number of potential barriers to entry, which may limit both the ability of new market participants to enter the VET market, and also the ability of existing market participants to service different segments of the market. These potential barriers to entry include:

- **RTO registration and regulatory compliance:** due in part to the high level of government funding that the VET sector receives, the sector is subject to considerable regulatory and compliance requirements. For example, in order to qualify for registration as an RTO, which is a prerequisite to issuing nationally recognised qualifications, a training provider is required to demonstrate evidence of financial viability and adequate quality and scope of educational content. Once registered, RTOs are audited on a regular basis to ensure that the training being delivered and assessed meets national requirements. Given the importance of data integrity for regulatory compliance and government funding, RTOs are also required to implement and maintain quality and compliant data management systems, reporting processes and insurances;
- **government funding contracts:** once a VET provider has achieved registration status as an RTO, this in itself is no guarantee of an ability to access government funding. In order to access state government funding, an RTO will need to secure a state government funding contract. Although the requirements to secure a funding contract are different in each state, the process usually involves additional student management systems and reporting requirements to those relating to RTO registration and compliance. For example, under the VTG, financial accounts and records need to be made available to regulators on request. This requires significant upfront and ongoing investment, that can impose a substantial burden on RTOs which lack the resources and systems to satisfy this obligation;
- **scale:** RTOs with a broad geographic footprint have a significant competitive advantage, particularly in the Enterprise market where larger clients expect RTOs to be able to deliver training in various locations across Australia and to employees based offshore;
- **content:** RTOs must have the capability and resources to develop content that meets the required standards, and be able to map that content against AQF qualifications;

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- **training delivery qualifications:** trainers and assessors are required to hold a minimum level of qualification for VET teaching (the Certificate IV in Training and Assessment, or an equivalent qualification) and also to possess relevant industry experience;
- **student recruitment:** success is contingent on a training provider's ability to attract students on an ongoing basis in order to replace existing students as they graduate and enter the workforce; and
- **online platform:** preferred training delivery method varies from student to student; however there is an increasing trend in students' preference for online, mobile training that is relevant, flexible and practical for students. Developing an online platform involves significant upfront costs.

2.5 KEY SECTOR DRIVERS

The key drivers of activity in the VET sector include:

- government policy and reform;
- government funding and support;
- workforce participation and underemployment;
- skills shortages;
- technological change;
- globalisation and the "Asian Century";
- mandatory skill levels determined by industry regulation; and
- affordability of VET for international students.

2.5.1 Government policy and reform

Government reform has played a critical role in creating a more open and competitive VET market, which has led to significant growth and diversification in the providers of VET.

In April 2012, the Commonwealth Government and all Australian state and territory governments, through the Council of Australian Governments ("COAG"), reached agreement on a set of reforms to the national training system by agreeing to a revised National Agreement for Skills and Workforce Development ("NASWD") and a new National Partnership Agreement on Skills Reform ("National Partnership Agreement"). The agreements reflect a strong consensus on the connection between investment in skills and workforce participation and productivity. The reforms, which are at varying stages of implementation across the states and territories, include:

- introducing a demand driven funding model across various states and territories across Australia, which is to be applicable to at least an individual's first Certificate III qualification;
- extending the availability of the Commonwealth Government's VET FEE-HELP scheme for government-subsidised Diploma and Advanced Diploma learners (previously VET FEE-HELP was available only to the non-subsidised part of the Diploma and Advanced Diploma market);

- developing and piloting independent validation of training provider assessments to improve the confidence of employers and learners in the quality of training courses;
- improving access to information about training options, training providers and provider quality on the new My Skills website, so potential learners and employers can make better choices about the skills and training they need;
- supporting around 375,000 additional learners over five years to complete qualifications, and improve participation and completion in high-level qualifications and among key groups of disadvantaged learners, including Indigenous Australians;
- undertaking better measurement of total VET activity; and
- introducing a Unique Student Identifier.

These reforms are designed to grow the pool of skilled workers, encourage existing workers to up-skill, and support higher levels of workforce participation.

2.5.2 Government funding and support

A significant driver of VET sector activity is the level of government funding. VET providers that receive government funding include TAFE institutes (including universities with TAFE divisions), other government providers and approved private VET providers.

Collectively, the Commonwealth, state and territory governments provided \$7.0 billion of funding to the VET sector in 2012. Approximately two-thirds of this funding was provided by state and territory governments, with the remainder provided by the Commonwealth Government. In addition, both levels of government provide a range of incentives and rebates to support skills development, particularly in the area of apprenticeships and traineeships.

The introduction of the demand driven funding model in a number of states has led to government funding of the VET market in these states becoming more contestable between public and private providers, thereby improving access to government funding for private VET providers and making them more competitive with public providers. This has resulted in an expansion in the number of the private VET providers who are now able to challenge the long-standing dominant market position of TAFE institutes. The transition towards a demand driven funding model, as implemented in Victoria and South Australia, is expected to continue and spread to other states and territories (refer to Figure 2.1.3.5 above). Further, total government funding of the VET sector has increased over the last five years (refer to Figure 2.1.3.1 above), and is expected to continue increasing, driven by industry and political concern regarding skills shortages. Refer to Section 2.5.4 for further detail on skills shortages in Australia.

The Commonwealth Government provides funding to the VET sector both directly and indirectly via the state and territory governments. Funding is provided to state and territory governments through two key agreements aimed at delivering a more efficient and sustainable training system that not only better targets Australia's future skill requirements, but also responds to the demands of both employers and students. The revised NASWD and the National Partnership Agreement, agreed by COAG on 13 April 2012, outline almost \$9 billion of Commonwealth expenditure on skills that is to be made available to state and territory governments over the period from 2012-13 to 2016-17:

- NASWD: \$7 billion over five years through the National Specific Purpose Payment for Skills and Workforce Development; and
- National Partnership Agreement: \$1.75 billion over five years.

In addition to funding provided to the sector, the Commonwealth Government also provides financial support through its FEE-HELP income-contingent loan scheme. In 2008, the FEE-HELP scheme was extended to include private VET providers. The \$4.0 billion VET FEE-HELP scheme assists eligible students studying higher level VET qualifications (at the Diploma level and above) to pay for all or part of their VET tuition fees. FEE-HELP and VET FEE-HELP are referred to as income-contingent loan schemes because the student (borrower) is not required to repay the loan to the government (through the tax system) until the student reaches the minimum income threshold level for repayment. An individual can use VET FEE-HELP assistance across multiple VET courses of study, up to the FEE-HELP Limit over their lifetime. Vocation's management believes the extension of this income-contingent loan scheme to private VET providers is another reason for the growth of private VET provision in recent years.

2.5.3 Workforce participation and underemployment

Historically, there has been an inverse relationship between the workforce participation rate and enrolments in the VET sector, as slower economic growth and rising unemployment encouraged individuals to enrol in training programs in order to improve their skills, thereby increasing their chances of re-entering the workforce. Student enrolments have continued to increase in recent years due to a number of additional factors, including:

- government reforms and ongoing government promotion of apprenticeships and training, especially in areas experiencing skills shortages;
- government initiatives at Commonwealth, state and territory levels which have enhanced the appeal of VET, including re-skilling of mature age workers and enabling opportunities for individuals with disabilities; and
- increasing levels of part-time employees in the workforce and individuals working multiple part-time jobs, which increases demand for education and training because each employee requires training for each occupation irrespective of whether they are full or part-time employees.

2.5.4 Skills shortages

A key trend being observed in the Australian labour market is that employment in higher skilled occupations is growing faster than employment in lower skilled occupations. The growth in skilled occupations can be linked to several causes, including: technology, which has tended to complement less routine, higher skilled functions; globalisation, which has seen lower skilled production work moving to lower wage countries; and advances in information and communications technology, which enhance the productivity of higher skilled workers at a rate much higher than lower skilled workers.

There is a widening gap between the expected supply of higher level skills and expected industry demand, particularly in occupations associated with manufacturing, construction and engineering, which are critical to the Australian economy. This gap, if it persists, will have negative implications for Australia's longer-term productivity performance. By 2015, it is estimated that Australia will need a further 2.4 million workers to have qualifications at the Certificate III level or above, to meet projected industry demand and the replacement of retiring workers. By 2025, it is estimated that Australia could be 2.8 million short of the number of individuals with higher skilled qualifications that industry will demand. Skills shortages in Australia are expected to continue to underpin longer-term growth in the VET sector.

2.5.5 Technological change

Technological change is having a two-pronged impact on the VET sector. Firstly, as Australian industry embraces technological and business process innovations to achieve competitive advantages in a global marketplace, demand for individuals with higher skilled qualifications increases, which in turn drives demand for education and training.

Secondly, as the online learning environment gradually overtakes traditional delivery channels, VET providers must be responsive to this trend by moving to online engagement with learners. Massive Open Online Courses ("MOOCs") have recently emerged as an education delivery model predicated on providing free or inexpensive, publicly available non-credit courses online to a worldwide audience. Education provided by MOOCs does not result in an AQF qualification.

2.5.6 Globalisation and the "Asian Century"

As the contemporary workforce becomes ever more globalised, interconnected and diverse, Australia is likely to experience an increasing demand for flexibility and mobility from employers and employees alike. Global mobility will also play a significant role in hiring practices, as employers look internationally to recruit talented workers. Improving the capabilities of Australia's workforce will enable Australians to participate in, and contribute to, an increasingly globalised labour market.

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Education is currently Australia's fourth largest export industry, contributing \$15 billion in export income to the economy in 2012, and is forecast to contribute around \$19 billion to the local economy by 2020. The increasing demand for education from emerging economies in Asia provides a significant opportunity for the Australian education sector, in particular the VET sector which is internationally recognised as providing world's best practice in vocational training. Qualifications from Australian VET providers are recognised worldwide.

2.5.7 Mandatory skill levels determined by industry regulation

An ongoing trend that supports growth in the VET sector is the movement towards regulated mandatory skill levels and qualifications across different occupations. Several industries have seen a mandated entry level qualification introduced over the previous two decades: such as financial planning, security services and personal training. Several other occupations are being considered for the introduction of a mandatory skill level including aged care, child care, hospitality and health support. Such reforms, if implemented, are expected to drive demand for VET services in the relevant qualifications, potentially from both existing workforce participants and new entrants.

2.5.8 Affordability of VET for international students

International student numbers grew strongly between 2005 and 2009, according to Australian Educational International data. This strong export growth was driven by favourable immigration policies and strong demand from the key export markets of China and India. However, in 2010 the trend of international student enrolment growth reversed sharply due to a number of factors, including the strong appreciation in the Australian dollar, which reached a record high against the US dollar of A\$1=US\$1.102 in July 2011, thereby reducing the affordability of vocational study in Australia for many international students.

2.6 HISTORY OF VET SECTOR REGULATION

Historically, Australia had eight separate VET systems, operated and regulated by each of the states and territories. The transition to a national VET system commenced in 1994 with the establishment of the Australian National Training Authority ("ANTA"). Over time, the operations of ANTA were absorbed into the Department of Education, Employment and Workplace Relations, which was subsequently split into two separate departments, the Department of Education and the Department of Employment. The recent creation of Australian Skills Quality Authority ("ASQA") as the national regulator for Australia's VET sector has continued the development of the national system. When ASQA was

established in July 2011, all states and territories other than Victoria and Western Australia, referred powers for VET regulation to ASQA. As a result, ASQA has jurisdiction over all RTOs, except those operating solely in Victoria or Western Australia that do not offer services to international students and are not operating in a referring jurisdiction; the former are regulated by the Victorian Registration and Qualifications Authority ("VRQA") while the latter are regulated by Western Australia's Training Accreditation Council ("TAC").

It is estimated that in February 2013, ASQA had regulatory responsibility for 4,025, or more than 80% of Australia's approximately 5,000 RTOs, with the VRQA responsible for 481 RTOs and the TAC responsible for 373 RTOs.

Over the last few years, the proliferation of small private RTOs has resulted in inconsistent quality in the delivery of training and qualification outcomes, which led the NSSC to propose reforms to the existing standards in June 2013. The proposed reforms are focused on ensuring consistent quality of outcomes across the sector by increasing the requirements for RTO registration and establishing a regulatory architecture that is fit for purpose in assuring the integrity of vocational qualifications. The NSSC is working towards a launch of the new standards in 2014 (subject to Ministerial endorsement), with a two year transition period being considered to allow all VET providers to become fully compliant.

Standards for the regulation of RTOs represent one important aspect of a broader quality assurance framework of the VET market, which also encompasses:

- training packages and accredited courses;
- the AQF;
- state and territory governments and their approaches to government-subsidised training;
- workforce development activities;
- internal quality assurance controls of the RTOs, which could also be recognised by general quality assurance bodies (for example, ISO 9001);
- provision of consumer information, which could be provided directly by the RTO or published on websites such as My Skills and other government sites (for example, the Victorian Skills Gateway); and
- voluntary memberships or partnerships; for example, peak provider bodies or industry association partnerships.

Further, many RTOs are subject to other regulatory requirements or contractual obligations depending on the nature of their students (for example, international students) and the different bodies that contribute the fees for the training and assessment (for example, state government funding contracts and payments received under the VET FEE-HELP loan scheme).

SECTION 3

Company overview

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SECTION 3: COMPANY OVERVIEW

3.1 INTRODUCTION

The formation of Vocation will bring together under common ownership the Founding Companies, each an established quality Australian private VET provider in its own right, and the Ancillary Businesses. Vocation will be one of Australia's largest private providers of VET and ancillary services in Australia, with over 24,000 new course enrolments in FY2013, 78 qualifications offered and eight individual RTOs located throughout Australia, with multiple funding sources and training delivery methods including a rapidly growing online platform.

Vocation's Founding Companies were separately established as private providers of VET services in Australia. The Founding Companies have over 18 years of collective operating experience in the Australian VET sector, and some of the Founding Companies have been working closely together over the last three years to deliver training outcomes. The Founding Companies have developed into some of the leading private providers of VET and ancillary services in their respective specialist fields.

The recent and continuing structural changes in the VET sector at the Commonwealth, state and territory levels, including the transition to a demand driven funding model across Australia and increasingly stringent regulatory requirements, give rise to a number of challenges for all VET providers. Vocation's management believes these same challenges will create significant opportunities for those providers with sufficient scale and breadth of offering to benefit from the changes. Vocation is expected to be in a strong competitive position as a result of the

following factors: scale, national footprint and identity, broad educational scope and multidisciplinary qualification offering, customised content, diverse client base, strong funding capacity, robust systems and processes for ensuring regulatory compliance, and well-regarded management team and Board.

For further detail on the structural changes occurring in the VET sector, refer to Section 2.5.

For further detail on the Founding Companies, refer to Section 3.10.

3.2 OVERVIEW OF VOCATION

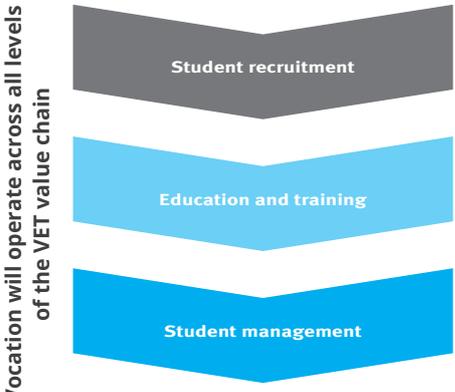
Vocation will be a full-service private VET provider, operating across all levels of the VET sector value chain including front-end student recruitment, education and training delivery and back-end student management. The Company will be organised into three business channels: Enterprise, Direct and Solutions. Vocation will deliver education and training services to employees of corporate and government clients and individual students through its Enterprise and Direct business channels, respectively, while its Solutions business channel will provide outsourced managed services and other ancillary services to third party VET providers, learning and development businesses and industry specialists in Australia. Figure 3.2.1 provides an overview of each business channel, with further detail provided in Sections 3.2.1 to 3.2.3. For an overview of the VET sector value chain, refer to Figure 3.2.2.

Figure 3.2.1: Overview of Vocation's business channels

	Enterprise	Direct	Solutions
Overview	<ul style="list-style-type: none"> ■ Customised workforce-based training to employees of large corporate and government clients throughout Australia ■ Training offering ranges from standardised courses to tailored internal training academies ■ Training delivered both face-to-face and online 	<ul style="list-style-type: none"> ■ Training delivered directly to individual students ■ Training delivered both face-to-face and online 	<ul style="list-style-type: none"> ■ Broad range of services ancillary to training delivery: <ul style="list-style-type: none"> - RTO Edge: outsourced managed services for training organisations; - technology solutions including VETtrak (student management software); and - consulting, research and ancillary services
Key brands	<ul style="list-style-type: none"> ■ CSIA ■ AVANA ■ Buildit Learning ■ Diverse Learning ■ TTS-100 	<ul style="list-style-type: none"> ■ AVANA Sky ■ Buildit Learning ■ Diverse Learning ■ TTS-100 ■ RPLme.com 	<ul style="list-style-type: none"> ■ RTO Edge ■ VETtrak ■ Antenna Strategic Insights ■ CSIA Membership, Certification and Awards
Example clients	<ul style="list-style-type: none"> ■ Corporate and government clients including Ford, Telstra, ANZ Banking Group, Tenix and Queensland Rail 	<ul style="list-style-type: none"> ■ Domestic students, including: <ul style="list-style-type: none"> - unemployed; - employed individuals focused on up-skilling; and - people with disabilities 	<ul style="list-style-type: none"> ■ Enterprise clients ■ RTOs and other training organisations ■ Government and industry bodies
% FY2014F pro forma consolidated revenue	38%	19%	43%

The diagram below illustrates the various segments of the VET sector value chain, which correspond with Vocation's vertically integrated business model.

Figure 3.2.2: VET sector value chain

Segment	Activities	Revenue sources
 <p>Student recruitment</p>	Sales, marketing and sign up of prospective students via Direct and Enterprise channels	Revenue primarily derived from providing Enterprise 'Needs Analysis'
Education and training	Provision of course materials and training, as well as assessment, student engagement and communications	Vocation generates revenue from a range of sources including state and Commonwealth Government funding and fee-for-service training fees
Student management	Fulfilment of compliance obligations, engagement with regulators and funding bodies, and general back-office administrative tasks and reporting systems	Vocation charges fees to corporate clients for outsourced managed services for training organisations, technology solutions, consulting, research and related services

Within the education and training segment of the VET sector value chain, Vocation will have a broad educational offering and qualification scope, delivering training at various stages of a student's career path. The Vocation Pyramid in Figure 3.2.3 illustrates the breadth of Vocation's qualification offering and indicatively reflects the internal promotion structure of Vocation's Enterprise clients, thereby depicting a student's career pathway from the pre-vocational level to the executive level. For further detail on the scope of Vocation's qualification offering, refer to Section 3.5.

Following Listing, Vocation will implement a clearly defined multi-brand strategy that will encompass Vocation as a corporate brand with an array of sub-brands beneath such as AVANA, Buildit Learning, CSIA and Diverse Learning. The Vocation brand will be used to engage with Enterprise clients and government stakeholders whilst training will be delivered through the sub-brands.

Management believe that a benefit of this multi-brand strategy will be that the Vocation brand can be developed into a widely recognised and leading VET sector brand without this impacting on the brand equity developed in each of the sub-brands. Given the market positioning that these sub-brands currently enjoy, such as industry focus, the benefit of specialist content, client relationships and experienced trainers, Vocation's management believes that there is value in continuing to invest in and maintain its portfolio of sub-brands.

Figure 3.2.3 The Vocation Pyramid

Qualifications and programs	Funding sources
Executive coaching	■ VET FEE-HELP
Bespoke training programs	■ Fee-for-service
Advanced Diploma	
Advanced Diploma	■ VET FEE-HELP
Diploma	■ State and territory government funding
	■ Fee-for-service
Diploma	■ Commonwealth Government funding programs ¹
Certificate IV	■ State and territory government funding
	■ Fee-for-service
Certificate II-IV	■ Commonwealth Government funding programs ¹
	■ State and territory government funding
	■ Fee-for-service
Certificate I-III	■ Commonwealth Government funding programs ¹
	■ State and territory government funding
	■ Fee-for-service

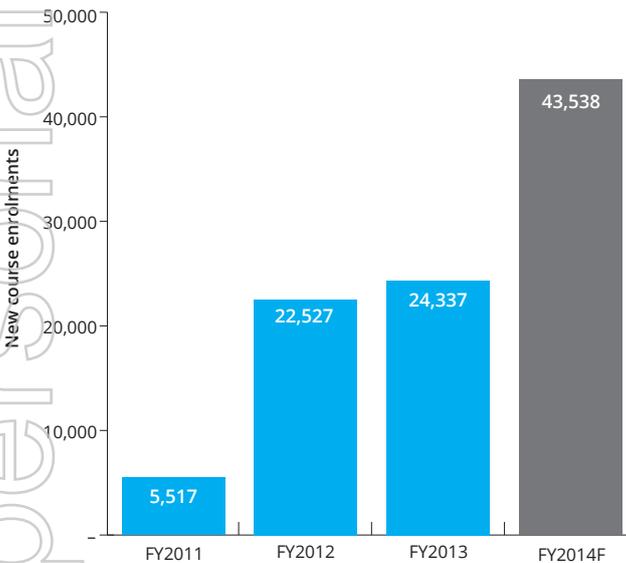
1. Examples of Commonwealth Government funding programs include the National Workforce Development Fund ("NWDF") and traineeships.

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Vocation’s pro forma new course enrolments have grown strongly over time, from around 5,500 in FY2011 to over 24,000 in FY2013. This growth in new course enrolments has been driven by a combination of organic business expansion and acquisitions. Organically, new course enrolments have grown as the Founding Companies have expanded their respective educational and qualification offerings. The flattening of new course enrolments in FY2013 primarily reflected both a decline in new course enrolments in the Solutions business channel, along with the completion of a large training program conducted for an Enterprise client in FY2012. A similar program with the same client is expected to commence in FY2014. Vocation’s management expects the Company will see strong growth in new course enrolments in FY2014F as a result of increased penetration of its Enterprise, Direct and Solutions offerings (refer to Figure 3.2.4). Refer to Section 4.7.2 for an explanation of the specific assumptions underlying the Forecast Financial Information.

Figure 3.2.4: Vocation’s pro forma historical and forecast new course enrolments

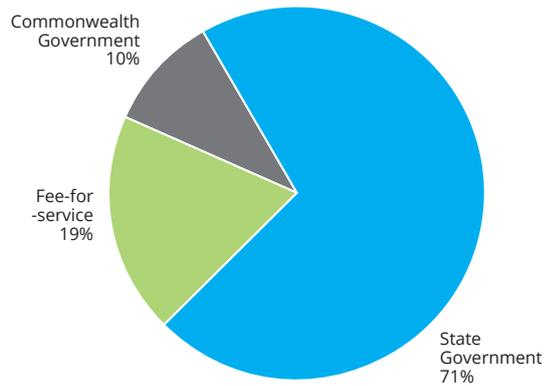


Vocation’s primary sources of revenue will be state, territory and Commonwealth VET funding schemes, domestic fee-for-service training fees, and fees earned from outsourced managed services to training organisations, technology solutions, consulting and related activities. Vocation generated approximately 80% of its total pro forma consolidated revenue from Commonwealth, state and territory government funding

schemes in FY2013. Given the important role of public funding to the VET sector in addressing skills shortages, the strong contribution of public funding to Vocation’s pro forma consolidated revenue mix reflects the Company’s alignment with, and responsiveness to, government policy. The significant weighting of government funding in Vocation’s pro forma consolidated revenue mix also reflects the fact that government funding is the largest source of revenue for the VET sector, accounting for approximately 80% of VET industry revenue in FY2012. Furthermore, Vocation’s focus on Victoria, which has implemented a demand driven funding model, has led to a strong contribution of state and territory government funding to the Company’s pro forma consolidated revenue mix.

Figure 3.2.5: Revenue contribution by source

Vocation (FY2013 pro forma consolidated revenue)



Australian VET market (2012)

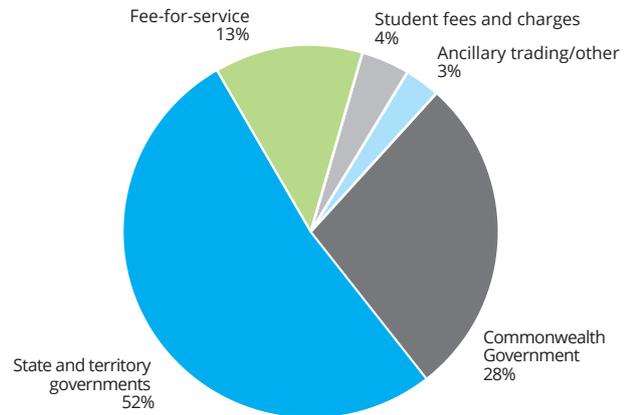
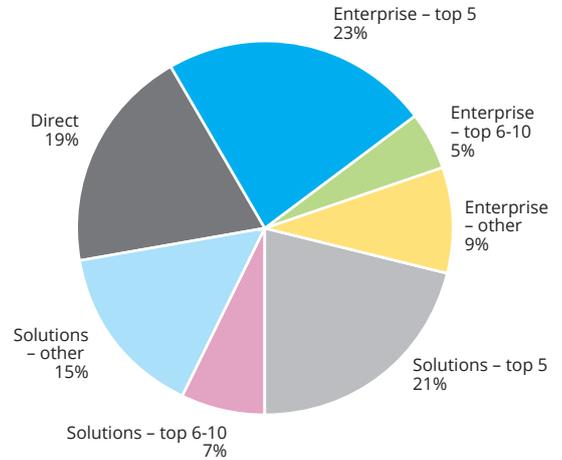


Figure 3.2.6 represents Vocation's diversified client base, as well as the strong revenue contributions from services provided to Vocation's largest clients, which include government departments and blue chip corporate clients in the Enterprise business channel, and some of Australia's leading private VET providers, which are clients of RTO Edge in the Solutions channel. Revenue from the five largest Enterprise clients and the five largest clients in the Solutions business channel are forecast to account for, respectively, 23% and 21% of Vocation's FY2014F pro forma consolidated revenue.

Figure 3.2.6: Vocation's client concentration by FY2014F pro forma consolidated revenue



3.2.1 Enterprise business channel

Vocation's Enterprise business channel will deliver customised workforce-based training and development solutions to employees of Australian corporate and government clients. Enterprise is forecast to contribute 38% of Vocation's FY2014F pro forma consolidated revenue. The Enterprise business channel is expected to grow in future years following significant investment in online systems and content development.

Vocation will deliver training in the Enterprise market through its CSIA, AVANA, Buildit Learning, Diverse Learning and TTS-100 brands. Each brand is focused on several distinct market segments in which it has the benefit of specialist content, client relationships, experienced trainers, student recruitment strategies and geographical presence. A summary of these brands is contained in the table below.

Figure 3.2.1.1: Vocation's Enterprise brands

					
Key industries	<ul style="list-style-type: none"> Customer service Business and management Health and security Lean Sigma, competitive systems 	<ul style="list-style-type: none"> Tourism and hospitality Retail Community services Commerce 	<ul style="list-style-type: none"> Construction Manufacturing Transport and logistics 	<ul style="list-style-type: none"> Aged care Children services Disability services Business administration Customer service 	<ul style="list-style-type: none"> Security Corrections Occupational health and safety
Business development methods	<ul style="list-style-type: none"> Direct relationships Requests for proposals Brokers 	<ul style="list-style-type: none"> Direct relationships Requests for proposals Brokers 	<ul style="list-style-type: none"> Direct relationships Brokers 	<ul style="list-style-type: none"> Direct relationships Brokers Government agencies 	<ul style="list-style-type: none"> Direct relationships Brokers
Example clients	<ul style="list-style-type: none"> Telstra ISS ANZ Banking Group Queensland Rail 	<ul style="list-style-type: none"> ISS Grill'd Prouds Jewellers 	<ul style="list-style-type: none"> Ford General Motors Holden 	<ul style="list-style-type: none"> Tenix Benetas 	<ul style="list-style-type: none"> ISS Group 4 Serco
Key competitors	<ul style="list-style-type: none"> Franklyn Scholar Australian Institute of Management rogenSI 	<ul style="list-style-type: none"> Franklyn Scholar Talent2 	<ul style="list-style-type: none"> Chase Performance Ashley Institute of Training 	<ul style="list-style-type: none"> TAFE institutes 	<ul style="list-style-type: none"> TAFE institutes National Security Training Academy

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Vocation's Enterprise client base will be diversified across industries and geographies, and will include a range of blue-chip companies such as Ford, Telstra, ANZ Banking Group, Tenix and Queensland Rail. Vocation's five largest Enterprise clients are forecast to account for 23% of Vocation's FY2014F pro forma consolidated revenue.

While Enterprise contract lengths can vary between 12 months and to up to five years, some of the relationships of the Founding Companies and their Enterprise clients have spanned many more years, as illustrated in the table below.

Figure 3.2.1.2: Example clients and length of relationships

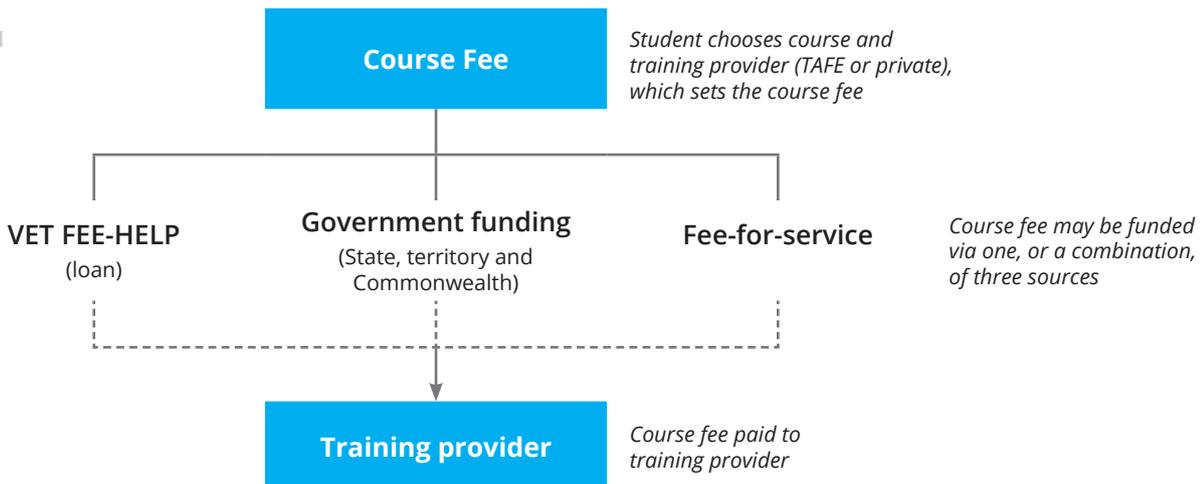
	ISS	Ford	Telstra	ANZ Banking Group
Length of relationship	3 years	3 years	13 years	8 years
Current contract length	Various contracts: 2-3 years	12 months	Various contracts: 2-5 years	5 years

Training provided under the Enterprise model can range from the provision of a standardised course (for example, Certificate IV in Customer Contact) to the development and delivery of a customised internal training academy solution that covers the learning and development needs of an organisation. These courses and workplace academies can provide training and certification to all levels of an organisation, as illustrated in the Vocation Pyramid, from frontline staff (Certificates I-III) through to management and executive levels (Diplomas), and are typically delivered over 12-24 months from enrolment to graduation. The method of training delivery is flexible, and generally involves a combination of online and face-to-face training.

Vocation's Enterprise clients benefit from the outsourcing of their training function to a specialist provider that is able to deliver nationally recognised training which in most cases leads to an AQF qualification. Vocation also delivers training outside the AQF, which includes coaching courses at the Executive level of the Vocation Pyramid and short courses at other levels. Enterprise training is generally targeted at addressing gaps in the skills, knowledge and culture of an organisation, with the objectives of improving workplace productivity, enhancing staff engagement and retention, and facilitating career progression.

Under the Enterprise model, the primary sources of revenue are: state and territory government funding, Commonwealth Government funding, and fees received from Enterprise clients. Firstly, where a student is eligible for state government-subsidised training, Vocation will receive funding directly from the relevant state government. The timing of receipt of payments varies between states and is based on each state's particular funding methodology. All methodologies, however, are based on aligning payment with either the progress of student contact hours or achievement of competency in subjects. Secondly, to the extent that course fees exceed state government subsidies, the shortfall is generally funded either through fees paid by employer organisations or via contributions from the Commonwealth Government through programs such as traineeships and the NWDF. Commonwealth Government support through the VET FEE-HELP scheme is also available to students in the Enterprise channel. Fees charged to employers (including those subsidised by the Commonwealth Government) typically include an upfront component and milestone payments.

Figure 3.2.1.3 Enterprise model revenue sources



New business will be won by the Enterprise business via three primary business development methods. Firstly, Vocation will leverage its existing direct relationships with Australian organisations to generate new business development opportunities, and actively seek to create new relationships for this purpose. Once established, Enterprise client relationships tend to naturally evolve and can involve an expansion of services provided over time.

Secondly, Vocation will respond to formal requests for proposals to provide new Enterprise training programs.

Thirdly, Vocation will use a network of third party brokers to identify new opportunities in the Enterprise training market.

The typical sales cycle for Enterprise clients can range anywhere from three months to up to 12 months. Once Vocation secures an Enterprise client contract, there will typically be four primary points of interaction between Vocation and the client, as outlined in Figure 3.2.1.4. Initially, Vocation will undertake a 'Needs Analysis' to

determine the training requirements of the particular client, which will form the basis of the customised training program that is then developed for the client in what is referred to as the 'Program Development' phase. These first two phases generally involve a substantial upfront investment of time and resources from the client in tailoring content of the training program, which can foster a strong relationship between Vocation and the client, and incentivise the client to retain Vocation as their training delivery provider over the long term. For clients that have large employee turnover or a continual stream of new employees, this incentive to retain Vocation is reinforced during the 'Program Delivery' phase by the need for ongoing training as well as the potential loss of government funding when switching between training providers. Following the delivery of training and completion of assessment, qualifications are issued and programs are evaluated to ensure that they have met national standards and delivered training outcomes which met the client's objectives.

Figure 3.2.1.4 *Points of interaction between Vocation and Enterprise clients*



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ENTERPRISE CASE STUDY: TELSTRA



Since 1999, CSIA has worked with Telstra management across a number of divisions including the business to business focused Telstra Enterprise and Government, Telstra Business, Telstra Operations and Telstra Consumer divisions to develop customised certification and training programs.

To customise training programs to meet Telstra's needs, CSIA initially sought to gain a holistic understanding of the organisation, its personnel and service challenges. By assessing the customer experience from end to end and developing an understanding of the connection between back end processes and customer touch points, CSIA incorporated appropriate skills training into course content tailored specifically for the company.

The qualifications delivered to Telstra include:

- Certified Business Relationship Manager – a Certificate IV and Diploma of Management level program;
- Certified Customer Service Manager – a Certificate IV level program for Service Team Leaders and Contact Centre managers; and
- Certified Customer Service Professional – a Certificate III and IV level program for service personnel.

Telstra has observed a steady improvement in customer satisfaction.

As a direct result of the success of these initiatives, CSIA's relationship with Telstra has grown significantly over time.

Today, CSIA trains and certifies employees across five divisions of the Telstra business and has provided training to over 3,400 Telstra employees both in Australia and internationally. CSIA also assesses and certifies various divisions of Telstra against the International Service Standard.

ENTERPRISE CASE STUDY: ISS



ISS, a leading global outsourced service provider, entered the Australian market in 2002 and is now one of Australia's largest facility services providers with annual revenues approaching \$1 billion and a team of over 15,000 people. With such a large and diverse workforce, ISS has significant ongoing training and education needs, particularly due to the levels of workforce turnover in some of the sectors in which it operates.

Traditionally, ISS has used a range of VET providers to ensure its Australian workforce receives appropriate training in each of its divisions and across all states and territories. Among other providers, two of the Founding Companies, CSIA and AVANA, have provided training to ISS's workforce since 2011 and 2012, respectively. CSIA has provided training across ISS's security, health, cleaning and tourism business lines, while AVANA has provided training across hospitality and catering.

In early 2013, ISS's Australian management team decided to simplify its training programs in order to reduce the complexity of balancing multiple providers across different training programs, and ensure consistency in the quality of training across the company's workforce. In order to do this, ISS identified a need for one or two providers with the following characteristics:

- a national footprint to deliver training at ISS locations throughout Australia;
- a broad educational scope and multidisciplinary qualification offering to deliver training to staff within ISS's security, health, cleaning, hospitality and catering functions; and
- access to multiple state government funding contracts to support ISS's national training program.

Since April 2013, CSIA and AVANA have collaborated to deliver a complete training solution for ISS, comprising the required educational scope, access to multiple state government funding contracts and project managers physically located in multiple Australian states.

3.2.2 Direct business channel

The Direct business channel will be an individual consumer-focused offering, providing training directly to individual students rather than through workplace or organisation-led training programs. Importantly, qualifications offered in the Direct business channel are equivalent to those delivered in the Enterprise business channel. Vocation's management expects that the reputation of Vocation's Direct business channel will be enhanced by the expertise and corporate partnerships of the Company's Enterprise business channel. Direct is forecast to contribute 19% of Vocation's FY2014F pro forma consolidated revenue.

Vocation will deliver training in the Direct market through its AVANA Sky, Buildit Learning, Diverse Learning, TTS-100 and RPLme brands. Each brand is focused on a distinct market segment in which it has the benefit of specialist content, client relationships, experienced trainers, student recruitment strategies and geographical presence. A summary of these brands is contained in the table below.

Figure 3.2.2.1: Vocation's Direct brands

					
Key industries	<ul style="list-style-type: none"> ■ Tourism ■ Hospitality ■ Business ■ Retail 	<ul style="list-style-type: none"> ■ Construction ■ Manufacturing ■ Transport and logistics 	<ul style="list-style-type: none"> ■ Marginalised and disadvantaged ■ Aged care ■ Children services ■ Disability services 	<ul style="list-style-type: none"> ■ Security ■ Corrections ■ Recreational fitness ■ Occupational health and safety 	<ul style="list-style-type: none"> ■ Various industries ■ Methodology for qualification recognition for over 100 qualifications
Delivery method	<ul style="list-style-type: none"> ■ Online 	<ul style="list-style-type: none"> ■ Blended learning 	<ul style="list-style-type: none"> ■ Blended learning 	<ul style="list-style-type: none"> ■ Blended learning 	<ul style="list-style-type: none"> ■ Online
Student recruitment methods	<ul style="list-style-type: none"> ■ Direct marketing ■ Brokers 	<ul style="list-style-type: none"> ■ Direct marketing ■ Brokers ■ Agencies 	<ul style="list-style-type: none"> ■ Agencies ■ Corporate client partnerships 	<ul style="list-style-type: none"> ■ Direct marketing ■ Agencies 	<ul style="list-style-type: none"> ■ Direct marketing

In the Direct business channel, the primary sources of revenue are state and territory government funding, Commonwealth Government funding and support, and fees received from students. Similar to the Enterprise business channel, where a student is eligible for state or territory government-subsidised training, Vocation will receive funding directly from the relevant government based on the progress of student contact hours or achievement of competency in subjects. From time to time, the Commonwealth Government also provides bespoke, finite funding targeting skills shortage areas, such as the former Productivity Places Program. Where a student is not eligible for state, territory or Commonwealth Government-subsidised training, or where Vocation's course fees exceed government subsidies, fees are paid directly by the student under fee-for-service arrangements.

Following the extension of the Commonwealth Government's FEE-HELP scheme to approved VET providers, eligible students can use VET FEE-HELP assistance for all or part of their VET tuition fees, with the student repaying the loan to the government through the tax system once the student reaches the minimum income threshold level for repayment. An individual can use VET FEE-HELP assistance across multiple VET courses of study, up to the FEE-HELP Limit over their lifetime. Refer to Section 3.9.1 for further detail on Vocation's strategy in relation to VET FEE-HELP.

In the Direct business channel, Vocation will deliver training under a blended learning approach of face-to-face and online methods. Significant resources were dedicated to developing the AVANA Sky online platform and delivery capabilities in 2013, in particular for entry level candidates seeking employment in tourism and business. This platform is scalable, and will be expanded across Vocation's Direct and Enterprise brands, providing opportunity for growth and margin improvement, as well as enhancing Vocation's ability to capture student data through its back end student management system.

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New students will be sourced by the Direct business channel via four primary methods:

1. direct marketing through both traditional advertising (for example, media, flyers and presence at university orientation week events) and online advertising (for example, via Facebook and YouTube);
2. brokers (for example, Acquire Learning and Career Direct);
3. agencies (for example, Job Service Australia, Centrelink, disability peak bodies and local employment networks); and
4. corporate client partnerships.

Vocation will also market direct training opportunities to the alumni of its Enterprise and Direct business channels in order to progress these individuals to higher levels of the Vocation Pyramid. In the last three years, the Founding Companies have collectively enrolled over 40,000 students, providing a substantial and diverse database of students potentially suitable for further training through Vocation's Direct business channel.

The individual consumer student market is highly fragmented, with few major multidisciplinary providers and a range of smaller niche players, each with a relatively

narrow educational scope. Some of these competitors include Careers Australia, Think Education, Open Colleges, Journey Management Group, SETsolutions and Carrick Education Group (now owned by Kaplan). Due to their unique status as government provided and funded institutions, historically TAFE institutes have been the largest players in the individual consumer student market and offered the broadest qualification offering and educational scope. However, recent and ongoing government policy changes are resulting in a more level playing field between TAFE institutes and private VET providers. Refer to Sections 2.1.3 and 2.5.1 for a summary of recent and ongoing policy reforms in the VET sector.

The emergence of MOOCs provides an additional potential source of growth for the Direct business channel. MOOCs are an emerging education delivery model predicated on providing free or inexpensive, publicly available non-accredited courses online to a worldwide audience. Education provided by MOOCs does not result in an AQF qualification. Vocation will examine opportunities to partner with MOOC providers and leverage their content in order to enhance its own offering and provide value to MOOC participants.

DIRECT CASE STUDY: AVANA SKY



AVANA Sky utilises a number of methods to recruit students to its online training platform. One of the more successful recruitment strategies the company has implemented was a recent on-campus presence during the 2013 student orientation weeks of several universities, including the Melbourne Institute of Technology.

During this recruitment drive, over 1,100 university students registered an expression of interest in an AVANA Sky course, which resulted in over 400 enrolments in a Certificate IV in Business. The cohort comprised mostly second and third year university students who wanted to differentiate themselves from their peers to potential employers.

The key selling points for this VET program to university students were as follows:

- Certificate IV in Business is practical in nature and highly complementary to a theory-based university degree;
- during the course, workshops are offered to students in order to improve their interview skills, resumé writing and job identification skills;
- a high level of support is offered for students undertaking the online course;

- courses are fully subsidised by government funding;
- online delivery provides for a highly flexible learning environment;
- students gain a nationally recognised qualification to enhance their employability; and
- students are equipped for further study at higher levels.

The Certificate IV in Business represents a 10 month program, is completely delivered online, and is fully subsidised by the Victorian government.

"Overall I really enjoyed my time completing my online course with AVANA. I found the online course very convenient as I could complete this at home and not have to travel. The course structure and work were very easy to follow and learn from. The education/training materials provided were also easy to follow. Tutors were always at hand whenever I needed help.

My experience learning with AVANA has been very enjoyable and I am happy to say I would recommend this to anyone. I have enjoyed it that much that I have come back to complete another certificate with AVANA."

Teresa Nguyen

DIRECT CASE STUDY: DIVERSE LEARNING



Diverse Learning is a modern, highly skilled and dedicated learning and development business that has two focuses:

- partnering with large organisations in the community services space to deliver highly contextualised training projects; and
- training and supporting the preparatory journeys of vulnerable people and those with disabilities with a view to assisting them to gain meaningful employment.

The following case study represents the story of an individual student from a marginalised and vulnerable section of the community who graduated from a Diverse Learning program.

Rebecca was a single-mother in her mid-30s from a disadvantaged background. Prior to her engagement with the Building Brighter Futures program (one of Diverse Learning's programs) Rebecca had not had any formal education for a number of years, which left her vulnerable when seeking employment. Having been out of the workforce for a number of years, Rebecca did not have the basic skills, work experience and confidence to obtain formal employment and as a result was facing a very uncertain future. Earlier this year, Rebecca's employment consultant encouraged her to enrol in Diverse Learning's Building Brighter Futures program that would lead to her receiving a Certificate I in Work Education.

The course is conducted in small-group workshops that run over a six month period, including a work experience component, and is led by a facilitator who has extensive experience in working with vulnerable members of the community. This innovative learning experience and qualification enable participants to acquire skills that give them confidence to enter or re-enter the workforce. The program not only focuses on basic employability skills, including written and verbal communication, using a computer, preparing for interviews and how to behave in a work situation, but more importantly takes a whole-of-life approach which empowers participants to make the connection between physical and mental wellbeing and sustainable employment.

The course had a significant impact on Rebecca, who is now able to identify and set clear goals around her career. After further education, she has now entered the workforce commencing a career in aged care because she wished to work with the elderly.

"At first, I was very overwhelmed by fear of knowing it had been a long time since I had studied ... since starting the course, I have proven to myself that I am capable of achieving things if I want them and stay focused. Thanks to the course I can now talk to people with confidence ... I have never felt more proud of myself."

The Diverse Learning program is currently delivered solely in Victoria, and has been highly successful to date. Management believes that there will be strong demand for the program from people with disabilities in other states, and intends for the program to be expanded across other states and territories.

SECTION 3: COMPANY OVERVIEW

3.2.3 Solutions business channel

The Solutions business channel will provide outsourced managed services to other VET providers and other ancillary services to third party VET providers, learning and development businesses and industry specialists in Australia.

The Solutions channel broadly consists of three areas of operation: RTO Edge, technology solutions and consulting. A description of each of these areas of operation is provided below.

Solutions is forecast to contribute 43% of Vocation's FY2014F pro forma consolidated revenue.

Figure 3.2.3.1: Solutions business channel overview

	RTO Edge	Technology solutions	Consulting
Key brands			  
Overview	<ul style="list-style-type: none"> Outsourced managed services for organisations that want to deliver VET programs within the AQF in partnership with an RTO Currently has over 40 clients 	<ul style="list-style-type: none"> Training management software which assists training providers by automating student management processes and simplifying the complex VET regulatory and reporting requirements Currently has contracts with over 1,400 RTOs across Australia, as well as large corporate clients 	<ul style="list-style-type: none"> Project consulting services (for example, "China Ready" program) Antenna Strategic Insights delivers customised research to large corporate clients CSIA assesses and certifies organisations against international standards and manages the Australian Service Excellence Awards
Revenue model	<ul style="list-style-type: none"> RTO Edge retains a portion of government funding received by its clients in combination with a fee-for-service 	<ul style="list-style-type: none"> Combination of an upfront fee and recurring annuity-style fees 	<ul style="list-style-type: none"> Recurring annuity-style fees from corporate and government clients
Key competitors	<ul style="list-style-type: none"> RTO management services 	<ul style="list-style-type: none"> Axcelerate JobReady Wise.Net 	<ul style="list-style-type: none"> International Customer Service Professionals Various research companies

RTO Edge

RTO Edge is a leading outsourced managed services provider for VET providers, learning and development businesses and industry specialists in Australia. The business offers outsourced managed services and VET and industry consulting services for organisations that want to deliver VET programs within the AQF in partnership with an RTO, including:

- data management, including management of all student participation and progress data through VETtrak;
- record management, including creating, managing and storing all physical and electronic files of enrolled participants. Quality control procedures are used to ensure that all physical files comply with the Australian Quality Training Framework ("AQTF"), Skills Victoria or other state body requirements;
- quality management, by sharing compliance and continuous improvement-based intellectual property with clients and conducting spot audits to ensure quality control;
- consultation on how to navigate the training compliance, quality and funding landscape; and
- curriculum development support to training organisations to achieve closer alignment to nationally recognised qualifications.

RTO Edge currently provides services to over 40 individual clients and in FY2013 its clients collectively provided training to students enrolled in over 11,000 individual courses. RTO Edge is selective in the clients that it partners with, concentrating only on those clients that can deliver both meaningful student numbers and those that are committed to, and are demonstrating, quality training outcomes.

The RTO Edge team has a number of client relationship managers, each responsible for seven or eight clients. All client relationship managers have extensive VET experience and a thorough understanding of the VET regulatory framework, Commonwealth and state government funding models, and curriculum development. Given that RTO Edge has regulatory responsibilities under its client contracts, there is a strong focus on quality assurance within the business. To achieve this, the client-facing team is supported by a team of quality coordinators, data management specialists, instructional designers, and industry specialists whose focus is to ensure that each client meets the regulatory, reporting and compliance requirements of relevant state government funding contracts and VET regulatory bodies. RTO Edge produces fortnightly reporting for all its clients that includes the value of funding claims processed and measurements of operating performance.

Vocation's management believes that the recent NSSC framework paper, which is expected to lead to higher regulatory benchmarks for the RTO sector, will create a positive dynamic for RTO Edge as the compliance requirements on RTOs increase. As RTO Edge currently operates solely in Victoria, expansion of the model successfully implemented in Victoria across other states and territories represents a substantial growth opportunity for Vocation.

RTO Edge receives funding for VET courses delivered by its clients under state government funding contracts and pays a percentage of this funding to its clients in combination with a fee-for-service.

RTO Edge is forecast to contribute approximately 85% of the total FY2014F pro forma revenue of the Solutions business channel.

Technology solutions

VETtrak is a training information system used by RTOs and other businesses involved in training people. The software assists in managing all key business processes related to training. The software assists training providers by automating training management and ensures that RTOs can meet the regulatory requirement of being able to report to Commonwealth, state and territory government agencies against a national VET data standard.

VETtrak is the market leading platform in the Australian training management software market, with an approximate 29% share of the RTO market based on its contracts with over 1,400 RTOs across Australia. Its customer base includes both VET providers, such as Franklyn Scholar and Education Institute, as well as large Australian and international organisations such as Wesfarmers, Crown, Toll and McDonalds.

In addition to the upfront fee that Vocation charges its clients for the initial use of the VETtrak software, approximately 60% of VETtrak's annual revenue represents recurring, annuity-style income, which is derived from annual licence fees. There is significant potential for organic growth in VETtrak's customer numbers and revenue due to government policy aimed at tightening regulation and reporting requirements for RTOs, which is likely to result in increased demand for quality training management tools such as VETtrak.

Consulting

Vocation's project consulting business provides advice and business development services to companies, peak industry bodies and government departments. Revenue earned from consulting projects is typically negotiated on a project-by-project basis depending on a range of factors including the nature and scope of the project, length of time involved and the uniqueness and value of the intellectual property contributed by Vocation. Revenue in this area can include government grants, such as the "China Ready" program discussed below.

Examples of recent consulting projects that Vocation has been involved with include:

- Tourism Link, a partnership with the tourism industry peak body;
- a Commonwealth Government-funded project to build tour guide capability for Chinese visitors to Australia (referred to as the "China Ready" training program); and
- National Disability Insurance Scheme consultation – a Founding Company was involved in drafting the National Disability Insurance Scheme ("NDIS") Workforce Ready paper in July 2013.

Antenna Strategic Insights is a market research consultancy which will be owned by Vocation at Listing. Through its Antenna Strategic Insights brand, Vocation will deliver customised research focused on customer service for local and international clients across a wide range of industries. These assignments range from in-depth research projects through to national (and international) surveys. Revenue earned from research projects can include one-off fees as well as recurring annuity-style fees from corporate and government clients for ongoing access to regular reports. Antenna Strategic Insights provides customer service assessment and research and, in conjunction with CSIA, one of the Founding Companies, publishes the Australian Ease of Doing Business Service Index.

CSIA assesses and certifies organisations to international standards via its Certified Customer Service Organisations Program and Certified Complaint Management System Audit and Certification Trustmark Program. CSIA also works with its international counterparts to develop and promote the International Customer Service Standard ("ICSS") certification program, and recognises the commitment to service excellence of individuals and organisations through its Australian Service Excellence Awards, which have grown to be the premier multi-industry and government awards in Australia for customer service.

SECTION 3: COMPANY OVERVIEW

SOLUTIONS CASE STUDY: RTO EDGE



Elatum Group (“Elatum”), a company founded by passionate industry learning and development consultants, was delivering quality training and achieving positive learning outcomes for its students but without formal recognition or qualification. Over time, Elatum wished to deliver nationally recognised training programs and offer government-subsidised training to aspiring hospitality employees; however, Elatum had been unable to do so since it was not registered as an RTO.

By partnering with RTO Edge since 2012, Elatum has been able to deliver nationally recognised qualifications and offer eligible students access to government-subsidised training in a joint model. RTO Edge worked with Elatum to develop a new curriculum that incorporated their training content and was also aligned

to a nationally accredited qualification. This allowed Elatum to concentrate its efforts on designing and delivering the most relevant industry-based training programs with the objective of assisting young students to become job ready and find employment pathways in the hospitality sector.

The collaborative approach adopted by RTO Edge and Elatum, with RTO Edge focusing on the compliance, curriculum, and data management elements of the service and Elatum focusing on content design and training delivery, led to an expansion of Elatum’s training across Melbourne’s peninsula region. In addition, Elatum recently expanded its offering to include delivery of training in the community services sector.

Management views the RTO Edge business model as a tool to raise the standard of compliance in the VET sector and to assist bespoke learning and development organisations to contribute to the VET market and therefore improve the overall quality of training in the sector.

3.3 GEOGRAPHIC PRESENCE

At Listing, Vocation will have a national presence via eight RTOs and a nationwide network of trainers and account managers. Having RTOs located throughout Australia will enable Vocation to access funding arrangements in each state and territory via funding contracts (for example, the VTG in Victoria and the Certificate III Guarantee in Queensland), which Vocation’s management believes will provide a substantial competitive advantage when the demand driven funding model is implemented across a number of states and territories by the end of 2014. Refer to Section 2.1.3 for an overview of the transition by the states to a demand driven funding model. At Listing, Vocation will have government funding contracts in all states and territories other than South Australia and Northern Territory; however, Vocation will deliver training in South Australia and Northern Territory, including under various existing funding arrangements.

The diagram and table below illustrate Vocation’s national footprint based on its course enrolments and funding contracts in each state and territory. In addition to on-campus delivery, Vocation delivers its courses online and at on-the-job locations throughout Australia.

Figure 3.3.1: Vocation’s national footprint



■ Vocation’s state and territory government funding contracts.

Figure 3.3.2: Vocation's course enrolments by state

State	Commencement of demand driven model	Vocation new course enrolments FY2013 ¹	Total population (million)
Victoria	2009	19,031	5.7
South Australia	2012	652	1.7
Queensland	July 2014 ^{2,3}	1,458	4.7
Western Australia	January 2014 ³	557	2.5
Tasmania	December 2014 ³	578	0.5
New South Wales	January 2015 ³	1,263	7.4

Sources: Australian Bureau of Statistics, NCVER, state government websites.

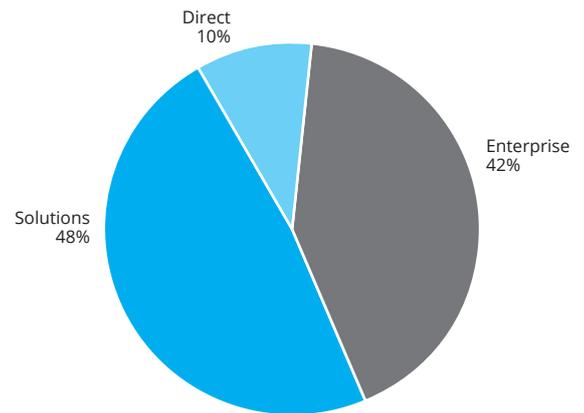
1. Vocation's pro forma total new course enrolments of 24,337 in FY2013 also includes 173 in ACT, 4 in Northern Territory and 621 relating to students based offshore.
2. Pilot scheme introduced in July 2013.
3. Target implementation date.

3.4 ENROLMENT PROFILE

In FY2013, Vocation's pro forma new course enrolment base was evenly constituted by enrolments in its Enterprise (48%) and Solutions (42%) business channels, with the remaining 10% of new course enrolments being through its Direct business channel. Vocation's management believes that this composition reflects the relative strengths of the Founding Companies' relationships with corporate and government clients, as well as the quality of their combined RTO managed outsource offering. It is also a reflection of the fact that TAFE institutes have historically been the largest players in the individual consumer student market due to their unique status as government provided and funded

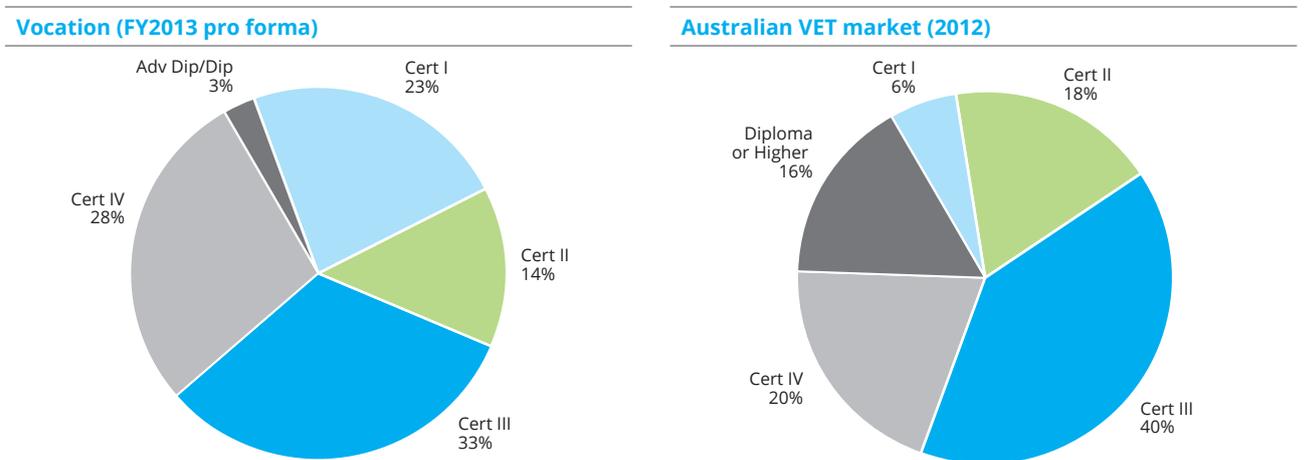
institutions. In future years, Vocation's management believes that the Direct channel will see significant growth as recent and ongoing government policy changes, including the transition by various states to a demand driven funding model, result in a more level playing field between TAFE institutes and private VET providers.

Figure 3.4.1: Vocation's pro forma new course enrolments by business channel in FY2013



The diagrams below illustrate the segmentation of Vocation's pro forma new course enrolments by qualification level in FY2013. Importantly, Vocation's most popular qualification levels in FY2013, being Certificate III and Certificate IV level programs, which collectively accounted for approximately 60% of Vocation's total pro forma new course enrolments, were also the most popular qualification levels across the VET sector in FY2013. Vocation's proportion of new course enrolments in Diplomas and Advanced Diplomas is lower than the Australian VET market due to the fact that Vocation has not historically had access to VET FEE-HELP, which provides financial support to students undertaking these qualifications.

Figure 3.4.2: Vocation's pro forma new course enrolments by qualification level in FY2013



Note: Excludes non-nationally recognised courses.

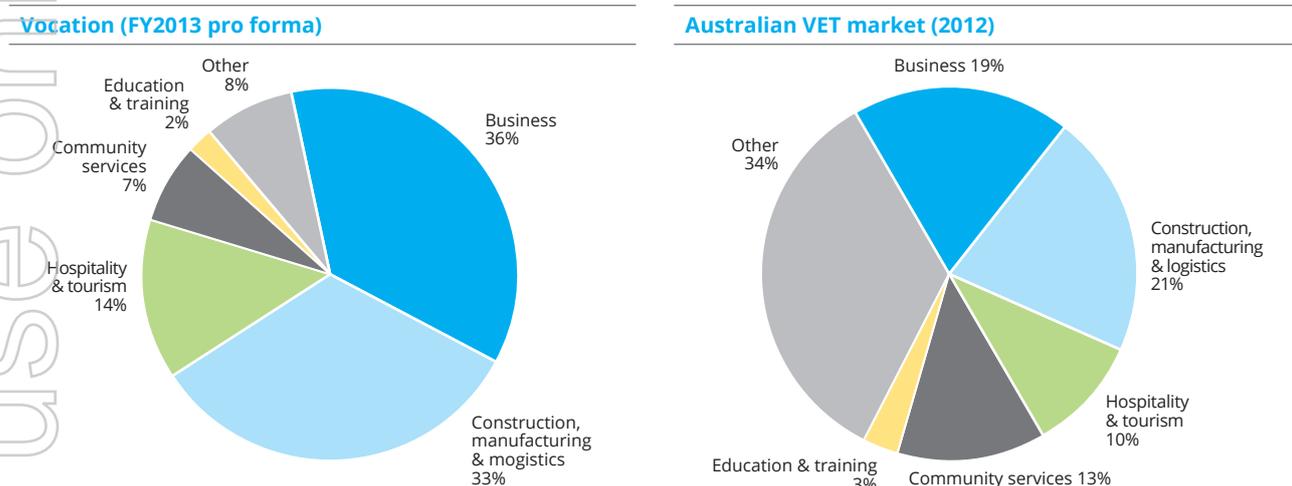
Source: NCVER, 2012.

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SECTION 3: COMPANY OVERVIEW

The diagrams below illustrate the segmentation of Vocation's pro forma new course enrolments by industry in FY2013. Vocation's core training competencies will be in areas of business, construction, manufacturing, logistics, hospitality, tourism and community services, which accounted for 90% of Vocation's FY2013 pro forma new course enrolments. These industries collectively accounted for 63% of all enrolments across the VET sector in FY2012.

Figure 3.4.3: Vocation's pro forma new course enrolments by industry in FY2013



Note: Excludes non-accredited courses and non-nationally recognised courses.

Source: NCVET, 2012.

3.5 SCOPE OF QUALIFICATIONS

Once registered, VET providers are authorised to issue AQF qualifications and certification documentation to individuals for courses approved on their scope of registration. Vocation will be registered to deliver 78 qualifications ranging from Certificate I to Advanced Diploma across a range of industries. Vocation's management believes the Company will have one of the broadest qualification offerings among all private VET providers in Australia. The breadth of Vocation's qualification scope will represent a substantial competitive advantage in terms of the diversification of revenue sources and student base, as well as the Company's flexibility to adapt to changes in government policy.

An overview of the number of qualifications by industry which Vocation will be registered to issue is provided below:

Figure 3.5.1: Qualifications offered by Vocation

Sector ¹	Number of qualifications offered
Business	17
Community services	11
Construction, manufacturing and logistics	12
Health and fitness	4
Personal care	5
Education	1
Retail	7
Security	6
Hospitality and tourism	15
Total	78

1. Sector categories reflect the following government training packages: **Business:** Business Services and Financial Services; **Community services:** Community Services; **Construction, manufacturing and logistics:** Resources & Infrastructure, Manufacturing Skills, Manufacturing Sustainability and Transport and Logistics; **Health and fitness:** Health, Sport, Fitness and Recreation; **Personal care:** Beauty; **Education:** Training & Education; **Retail:** Retail Services; **Security:** Correctional Services, Property Services and Aviation; and **Hospitality and tourism:** Tourism, Travel and Hospitality.

3.6 BUSINESS DEVELOPMENT AND STUDENT RECRUITMENT

Business development and student recruitment is critical to Vocation's business model as the Company seeks to increase student numbers and replace graduating students in its Enterprise and Direct business channels. Vocation has a diversified recruitment model across a variety of methods, as described below.

3.6.1 Enterprise business development methods

Vocation will utilise three business development methods to source corporate and government clients for its Enterprise business channel: direct relationships, requests for proposals, as well as brokers and government agencies.

Figure 3.6.1.1: Business development methods

Method	Overview
Direct relationships	<ul style="list-style-type: none"> Utilising existing direct relationships with Australian organisations to generate new business development opportunities
Requests for proposals	<ul style="list-style-type: none"> Responding to requests for proposals to provide training for prospective Enterprise clients Quality of training is generally the key differentiating feature of a proposal
Brokers and government agencies	<ul style="list-style-type: none"> Using a network of third party brokers to identify new opportunities in the Enterprise training market Working with government agencies such as the Department of Education and the Department of Employment to facilitate Enterprise programs as part of various skills and productivity initiatives

3.6.2 Direct student recruitment methods

Vocation will utilise four recruitment methods to source students for its Direct business channel: direct marketing, agencies, brokers and corporate client partnerships.

Figure 3.6.2.1: Student recruitment methods

Method	Overview
Direct marketing	<ul style="list-style-type: none"> Vocation will use traditional direct marketing methods such as flyers and promotional material, promotional events (including presence at university orientation week events), door-to-door sales and online and media advertising Vocation's brands have a considerable online marketing and social media presence via advertising on Facebook, Google Adwords, YouTube and LivingSocial
Agencies	<ul style="list-style-type: none"> Vocation will leverage existing relationships with agencies such as: <ul style="list-style-type: none"> <i>Job Services Australia ("JSA")</i>: the Commonwealth Government employment services system, set up to support job seekers; and <i>Disability Employment Services</i>: (an additional Commonwealth Government employment service); performs a similar function to JSA; however, specialises in assisting people with a disability, injury or health condition to find and maintain employment
Brokers	<ul style="list-style-type: none"> Vocation will have access to a range of brokers, ranging from large broking organisations such as Acquire Learning, to individuals Vocation will provide induction and support services to these brokers to ensure focus is maintained on quality and compliance Vocation's own internal broker, Career Direct, will advise and allocate students to relevant VET courses within Vocation based on their career aspirations
Corporate client partnerships	<ul style="list-style-type: none"> Vocation's network of corporate client partnerships will facilitate access to unsuccessful job seekers Vocation will market relevant training directly to prospective students in order to maximise their likelihood of obtaining employment

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SECTION 3: COMPANY OVERVIEW

3.7 CONTENT DEVELOPMENT

One of Vocation's key competitive advantages will be the provision of quality, customised content mapped to nationally recognised training qualifications. Management is of the view that, at present, many VET courses deliver content that is either not sufficiently customised to meet the needs of industry or not sufficiently modernised to meet contemporary students' training preferences (or both). To ensure that Vocation's content is of sufficiently high quality, the Company will source content using the following methods:

- **in-house development:** Vocation will employ a full-time team of instructional designers and content specialists who will develop training, assessment and measurement materials for both Enterprise and Direct students. The development of this content will be focused on modern learning and development techniques;
- **instructional design specialists:** in conjunction with in-house development, Vocation will engage specialist contractors to develop specific customised content where doing so would produce the highest quality content outcome. Specialist contractors may also be utilised during times of high demand; and
- **third party content:** where appropriate, Vocation will purchase third-party developed standardised content, including the content developed by MOOCs.

Regardless of method, Vocation's content will be capable of being produced for face-to-face sessions and digitised for online delivery.

Vocation will undertake a rigorous audit process to ensure that the content is mapped carefully to nationally recognised qualifications and that the currency and relevance of its curriculum are maintained.

3.8 REGISTRATION AND COMPLIANCE SYSTEMS

3.8.1 Registration and compliance

Due in part to the substantial quantum of government funding that the VET sector receives, the sector is subject to considerable regulatory and compliance requirements. Vocation (via the Founding Companies) will hold the following registrations and accreditations:

- RTO status with ASQA;
- RTO status with the VRQA;
- state government funding contracts (for example, the VTG in Victoria), which are the arrangements through which VET providers are contracted to deliver government-subsidised training services to eligible individuals; and
- Commonwealth Government funding contracts (for example, NWDF and traineeships).

Vocation will have in place a number of systems and process to ensure it fulfils its compliance obligations. Vocation's Executive Manager, Education will have primary responsibility for ensuring Vocation's eight RTOs comply with applicable quality and regulatory standards, and will oversee liaison with state, territory and Commonwealth governments in relation to funding arrangements and other regulatory issues. In addition, the Quality and Curriculum General Manager will oversee content quality and delivery, and the overall student experience. This General Manager will be assisted in this capacity by three Education Officers who will be responsible for between two or three RTOs each. They will ensure quality standards are upheld by each of Vocation's RTOs in line with regulatory, and Vocation's internal, standards.

There are broadly two categories of reporting requirements for RTOs (as set out in Figure 3.8.1.1):

- reporting requirements at re-registration of an RTO; and
- reporting required to satisfy ongoing compliance requirements of government funding contracts and those under the applicable regulatory frameworks.

Figure 3.8.1.1: RTO reporting requirements – at re-registration and ongoing

Re-registration of RTOs	Ongoing compliance
<ul style="list-style-type: none"> ■ Details of the company and its employees ■ Courses and enrolments ■ Insurance ■ Legal matters ■ Extension of scope ■ Business plan ■ Financial information (for example, key creditors, balance sheet items, banking and financial support and government-subsidised training) ■ Service agreements 	<ul style="list-style-type: none"> ■ Internal and external audit ■ Evidence of continuous improvement ■ Validation and moderation of training and assessment ■ Ongoing financial viability ■ AVETMISS reporting ■ Compliance with relevant Commonwealth, state and territory government legislation

The following table summarises the current registration status of Vocation's eight RTOs.

Figure 3.8.1.2: RTO registration status overview

Company	Registration manager	Restrictions	Teaching jurisdiction	Registration expiry
CSIA Education Services Pty Ltd	ASQA	No restrictions	All states and territories	28 July 2014
Learning Verve Pty Ltd	ASQA	No restrictions	All states and territories	30 April 2017
TTS-100 Pty Ltd	ASQA	No restrictions	All states and territories	30 November 2013 ¹
BAWM Pty Ltd	VRQA	No restrictions	Victoria only	31 July 2018
Aspin Pty Ltd	ASQA	No restrictions	All states and territories	31 December 2013
AVANA Learning Pty Ltd	ASQA	No restrictions	All states and territories	23 December 2016
Green Skills Institute (Aust) Pty Ltd	ASQA	No restrictions	All states and territories	31 August 2014
Training and Development Australia Pty Ltd	ASQA	No restrictions	All states and territories	20 March 2017

1. TTS-100 Pty Ltd is scheduled to have a re-registration audit in November 2013.

3.8.2 Systems

One of Vocation's competitive strengths is expected to be the Company's use of technology across its various services and products, including client-facing functions such as training delivery, facilitation, assessment, as well as back-end processes such as student data management and compliance reporting. Vocation's management believes that in the future VET will be delivered in a blended learning environment with increasing focus on digital, online, on-demand and mobile mediums. Vocation's management is focused on this trend.

One approach taken to prepare for the digital future has been the significant investment in an online delivery platform, AVANA Sky, which includes an integrated back-end student management and learning management system. Benefits of the platform include an improved client experience, enhanced flexibility for all participants, greater efficiency and margin expansion, as well as real-time and accurate reporting. By enhancing the Company's data control capability and the integrity of its reporting systems, the online platform is expected to enhance Vocation's ability to fulfill the ongoing compliance requirements of its government funding contracts and those under the applicable regulatory frameworks. The online platform is scalable and Vocation will leverage the platform across its Direct business channel and into the Enterprise business channel.

Vocation's AVANA brand is currently delivering a pilot program as part of the Skills Tasmania Flexibility Learning Framework in Hobart in which the participants and the facilitator have been equipped with tablet computers, which management believes has introduced a new way of learning. The program, which was accelerated by a \$100,000 grant from the Tasmanian education authority, Skills Tasmania, has proven to result in more engaging and effective training and increased efficiency of the training, facilitation and assessment process.

Management intends to appoint a General Manager, Information Technology who will be responsible for overseeing the management of all IT systems of the Company as well as student management, online data management and training delivery. Over time, Vocation will integrate the back office and IT systems of the Founding Companies.

3.9 VOCATION'S GROWTH STRATEGY

To capitalise on the recent and ongoing structural changes in the VET sector, Vocation's management intends to adopt a predominantly organic-driven growth strategy, with bolt-on acquisitions undertaken where appropriate to enhance Vocation's service offering and market position. Vocation may also consider other acquisitions if suitable opportunities arise in the future.

3.9.1 Organic growth

Vocation has a number of organic growth initiatives that are expected to drive growth in the near term.

Transition to a demand driven funding model

Vocation will aim to replicate the highly successful operating model of the Founding Companies in Victoria across other states and territories as they transition towards a demand driven funding model in 2014. Vocation will have a national platform, with funding contracts in place in all states and territories other than South Australia and Northern Territory, which is expected to facilitate this growth strategy. In doing so, Vocation will extend the geographic reach of its key education and training brands. Refer to Section 2.1.3 for a description of the success of the demand driven funding model in Victoria.

VET FEE-HELP

Vocation is expected to be positioned to take advantage of the Commonwealth Government's expansion of the FEE-HELP income-contingent loan scheme to approved VET providers. Under the expanded scheme, eligible students can use VET FEE-HELP assistance for all or part of their VET tuition fees, with the student repaying the loan to the Commonwealth Government through the tax system once the student reaches the minimum income threshold level for repayment. An individual can use VET FEE-HELP assistance across multiple VET courses of study, up to the FEE-HELP Limit over their lifetime. Two of the Founding Companies are in the process of lodging applications to become approved VET FEE-HELP providers. Once approved, Vocation will be able to provide its students with direct access to VET FEE-HELP. In the meantime, the

SECTION 3: COMPANY OVERVIEW

Founding Companies currently have arrangements in place with two approved VET FEE-HELP providers through which Vocation's students will be able to access VET FEE-HELP.

Enterprise market share and penetration

Vocation's management believes that the Enterprise training market is characterised by a low level of penetration, with significant scope for growth as the gap between the expected supply of higher level skills and expected industry demand continues to widen. For example, it is estimated that by 2015, Australia will need a further 2.4 million workers to have qualifications at the Certificate III level or above to meet projected industry demand and the replacement of retiring workers.

Vocation's management also believes an opportunity will exist to increase the Company's share of the growing Enterprise training market through the increased visibility it achieves by virtue of being a publicly listed company.

Geographic expansion of existing brands

Vocation's national footprint provides an opportunity to expand the Company's brands into geographies in which they do not currently operate. Vocation's management believes that the RTO Edge and Diverse Learning brands are particularly suitable for expansion into new geographies, as outlined below.

The recent NSSC framework paper advocates higher regulatory benchmarks for the RTO sector in order to improve the consistency in quality of training and outcomes across the VET sector, and the availability of publicly available information regarding RTOs and their performance. Vocation's management expects that the NSSC recommendations, if implemented, will lead to increasing compliance requirements on all RTOs, which will result in increased demand for outsourced managed services from VET providers, particularly those VET providers lacking sufficient resources and systems to meet the higher compliance requirements. RTO Edge, which manages compliance and advises training organisations on how to navigate the training compliance, quality and funding landscape, is positioned to benefit from this structural change. National expansion of the RTO Edge model, which has been successfully implemented in Victoria, represents a substantial growth opportunity for Vocation.

Diverse Learning, which provides training and support to people with disabilities through its Building Brighter Futures program, has also historically operated solely in Victoria. Given the increasing levels of commitment by many organisations, both private and public, to ensuring diversity in the workplace, which includes employing people with disabilities, Vocation's management believes a substantial opportunity exists to expand the Building Brighter Futures program into other states and territories.

Technology

Vocation's management intends for the Company to be a technology leader in the private VET sector by leveraging and extending its online offerings and education software solutions. For example, Vocation has established a scalable online course delivery platform, AVANA Sky, which can be leveraged across its Enterprise and Direct business channels.

Vocation's management expects that increasing compliance requirements on RTOs will involve an increase in reporting requirements. This will likely result in greater demand for technology solutions which assist training providers by automating student data management processes. VETtrak is well placed to benefit from this structural shift given its position as one of the leading platforms in the Australian training management software market.

Continued brand investment

The integrity and value of nationally recognised qualifications are dependent on their perceived value. One of the key challenges facing the VET sector today relates to concerns about inconsistent quality of training and assessment.

Vocation's management believes that one of the Company's competitive strengths will be its trusted and recognised brands, which will distinguish the Company from lower quality training providers. As discussed in Section 3.2, Vocation will implement a clearly defined multi-brand strategy that will encompass Vocation as a corporate brand with an array of sub-brands. Continued investment over time in both the Vocation brand, and the Company's sub-brands within its Enterprise, Direct and Solutions business channels, is expected to underpin Vocation's sustainable competitive position in the VET market.

3.9.2 Acquisitions

Given the highly fragmented nature of the VET sector and the challenges that recent and continuing structural changes pose to VET providers lacking sufficient resources and systems to manage ongoing compliance obligations, a range of opportunities exist for Vocation to undertake bolt-on acquisitions over time. Vocation may also consider other acquisitions if suitable opportunities arise in the future. Vocation may make an acquisition to achieve a range of objectives including, but not limited to:

- expanding educational scope by acquiring a VET provider with a qualification or industry expertise that is not currently within Vocation's scope;
- expanding market share by acquiring a VET provider with a substantial student base;
- expanding technology platform offering by acquiring learning management and quality management systems;
- achieving an attractive financial return where an opportunity exists to improve an underperforming VET provider; or
- accessing new funding sources (for example, by acquiring an approved Commonwealth Register of Institutions and Courses for Overseas Students provider).

The Founding Companies have a track record of completing numerous acquisitions of smaller industry players and RTOs during the course of their operating history including AVANA's acquisition of Training and Development Australia Pty Ltd, BAWM Group's acquisition of Aspin and CSIA's acquisition of LearningVerve. The founders of BAWM also established Student Hub Pty Ltd which successfully acquired a majority stakeholding in Ozsoft (owner of VETtrak).

The Forecast Financial Information does not assume that any acquisitions are completed by Vocation in FY2014.

3.10 BACKGROUND INFORMATION ON THE FOUNDING COMPANIES

The formation of Vocation will bring together under common ownership three leading Australian private VET providers:

- AVANA, a private education provider with core capabilities in tourism, hospitality, retail and community services;
- BAWM, a private education provider operating under four key brands (RTO Edge, Buildit Learning, Diverse Learning and Career Direct) and focusing on industries such a transport and logistics, manufacturing, construction and community services; and
- CSIA, a customer service organisation, providing training and professional qualifications in management, business and customer service, in addition to several other product categories.

Some of the Founding Companies have been working closely together over the last three years 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. Although Vocation's management believes there will be a range of potential benefits from operating under the new Vocation structure, management intends to adopt a sensible and considered timeframe for the operational integration of the Founding Companies.

Vocation's management believes that the benefits accruing from operating under the new Vocation structure will outweigh any costs incurred in the preliminary operational integration of the Founding Companies and the Ancillary Businesses in FY2014.

3.10.1 AVANA

AVANA was founded in July 2011 to focus on delivering VET training to clients in the retail, tourism and hospitality sectors. However, AVANA's seed tourism asset, Green Skills Institute, which remains one of AVANA's three RTOs, was founded by Mark Hutchinson in 2007. In late 2011, considerable investment was undertaken in AVANA's Enterprise business with a clear intention to establish a strong, scalable platform from which the business could grow.

In December 2012, capital was raised to invest in the Direct business, in particular AVANA Sky, the online delivery system utilised as part of many of the Direct courses provided by AVANA. Furthermore, AVANA's Community Services division was also launched.

AVANA Community Services also assisted the Commonwealth Government Department of Families, Housing, Community Services and Indigenous Affairs in the preparation of the NDIS Workforce Ready paper in July 2013 - which provides advice on the issue of enabling individuals with permanent disabilities to enter the workforce and how this could be assisted by the new NDIS.

AVANA currently has arrangements in place with two approved VET FEE-HELP providers through which Vocation's students will be able to access VET FEE-HELP, and is also in the process of applying to receive VET FEE-HELP funding directly as part of its higher level qualifications made available to students.

3.10.2 BAWM

BAWM was created by four of the BAWM Founders in 2010 following their acquisition in 2010 of Taylored Gardens Pty Ltd. This business had been trading as the Institute of Counselling and Community Studies ("ICCS") from 2002 with a primary focus of delivering community service qualifications such as counselling, children services, aged care, and disability training through public programs and traineeships.

Since 2010, BAWM broadened its scope of registration significantly to enable a greater range of training options across a diverse industry base primarily to service participants facing barriers to employment.

The trading name of Buildit Learning was established in 2011, focusing on blue collar industries such as process and competitive manufacturing, civil construction, warehousing and transport. In conjunction with the establishment of a participant hub based in Melbourne's west, Buildit Learning has built partnerships with quality content providers to deliver qualifications in both public and employer-based environs.

In 2012, BAWM introduced RTO Edge, initially to provide data management and consulting support to existing RTOs. Since then, RTO Edge has expanded to provide its services to learning and development businesses.

In 2013, in response to an expanded qualification set, BAWM introduced a new trading name, Diverse Learning, to coincide with the phasing out of the ICCS trading name and its focus on educating people with disabilities.

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The founders of BAWM established Student Hub Pty Ltd in 2013 with a view to acquiring other businesses that supported RTOs and students' learning experience. In 2013, Student Hub Pty Ltd acquired a majority shareholding in OzSoft (owner of VETtrak).

3.10.3 CSIA

CSIA was established in 1997 to provide education, certification and recognition to organisations and individuals in the field of service excellence. Today, CSIA is a leading customer service body in Australia and secretariat for the International Council of Customer Service Organizations (www.iccso.org). CSIA works to develop people, systems and standards to improve customer service.

CSIA certifies organisations and individuals to Australian and internationally recognised standards. For example, organisations certified against the internationally recognised standards are entitled to display the 'Certified Customer Service Organisation' Trustmark.

CSIA focuses on the following areas:

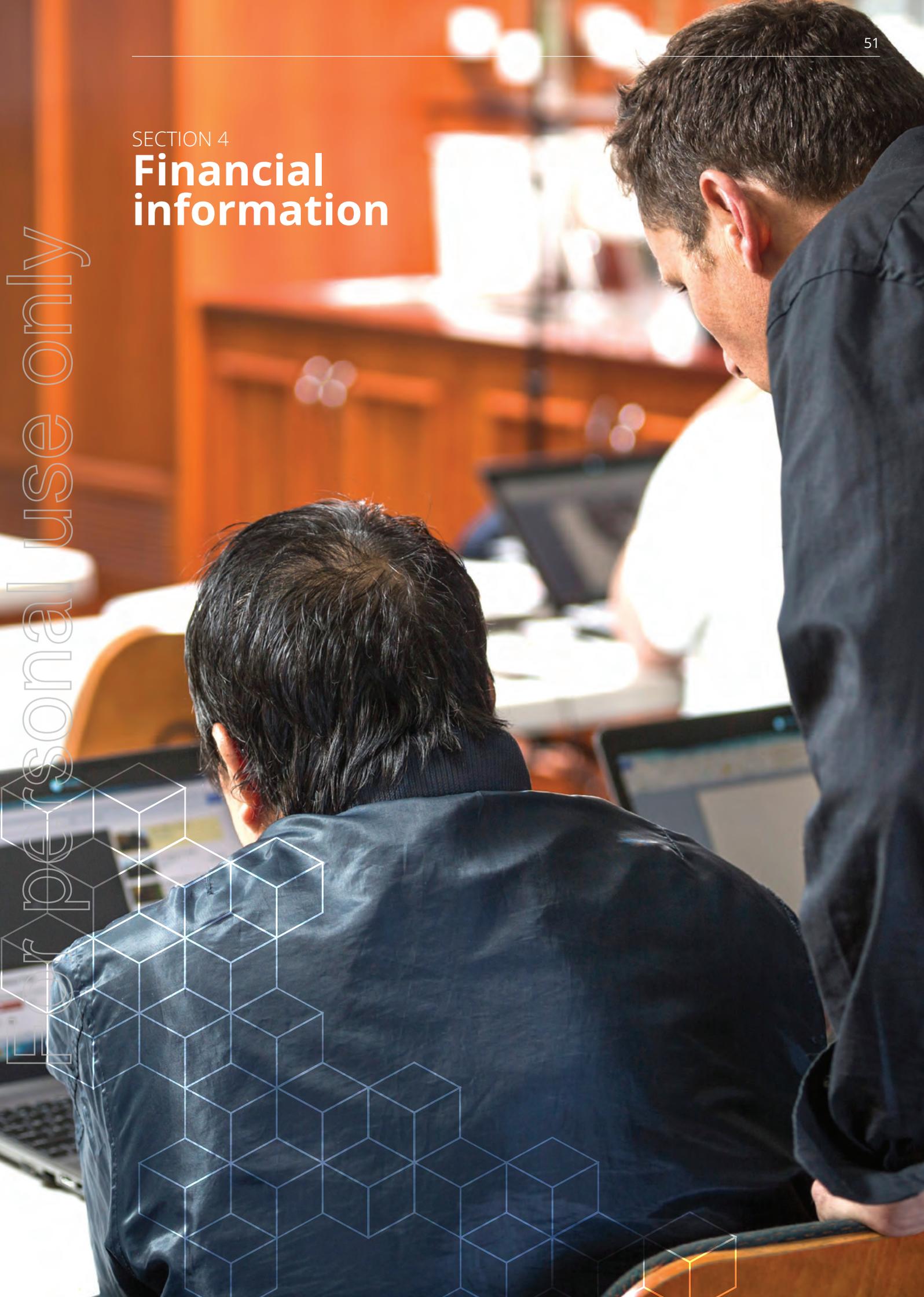
- promoting customer service as a profession and providing tools to improve the level of its practitioners' professionalism through assessment, accreditation and certification;
- providing people working directly or indirectly in customer service (public or private sector), with education and professional standards in order to operate more effectively in their chosen field. In 2008, CSIA established its own RTO, CSIA Education Services, to deliver its education and professional development programs;
- working with its international counterparts to develop and promote the ICSS (including a customer charter) certification program and Australian and International Service Excellence Award programs, which can help organisations develop and sustain a customer ethos through improvements to the design, delivery, quality and effectiveness of customer service strategies, policies and systems; and
- improving knowledge of the components of customer service excellence through research, training and development programs, publications, awards, conferences and customer focus groups.

CSIA has expanded its scope and training offering to enable it to deliver nationally recognised qualifications in areas not traditionally considered 'customer service focused' such as security and health support. To facilitate this expansion, CSIA in 2012 acquired a Victorian RTO and will increase its scope of qualifications further in 2013 with the acquisition of TTS-100, an RTO in Western Australia.

SECTION 4

Financial information

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SECTION 4: FINANCIAL INFORMATION

4.1 INTRODUCTION

The financial information for Vocation contained in Section 4 includes:

- historical financial information for Vocation, being the:
 - pro forma consolidated historical income statements for FY2011, FY2012 and FY2013 ("Pro Forma Historical Results");
 - reconciliation to the statutory consolidated historical income statements for FY2011, FY2012 and FY2013 ("Statutory Historical Results");
 - pro forma consolidated historical cash flow statements for FY2012 and FY2013 ("Pro Forma Historical Cash Flows");
 - reconciliation to the statutory consolidated historical cash flow statements for FY2012 and FY2013 ("Statutory Historical Cash Flows"); and
 - pro forma consolidated historical balance sheet as at 30 June 2013,
 (together, "Historical Financial Information"); and
- forecast financial information for Vocation being the:
 - pro forma consolidated forecast income statement for FY2014 ("Pro Forma Forecast Results");
 - statutory consolidated forecast income statement for FY2014 ("Statutory Forecast Results");
 - pro forma consolidated forecast cash flow statement for FY2014 ("Pro Forma Forecast Cash Flows"); and
 - statutory consolidated forecast cash flow statement for FY2014 ("Statutory Forecast Cash Flows"),
 (together, "Forecast Financial Information").

The Historical Financial Information and Forecast Financial Information together form the Financial Information.

All amounts disclosed in Section 4 are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest \$0.1 million.

4.2 BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL INFORMATION

Vocation was incorporated on 6 November 2013. Vocation will not undertake any trading activities until Completion of the Offer and the Merger, except for trading activities of its subsidiary BAWM Pty Ltd.

BAWM Pty Ltd is a subsidiary of Vocation as at the date of this Prospectus. The Founding Companies (other than BAWM Pty Ltd) and the Ancillary Businesses will become subsidiaries of Vocation on Completion of the Offer and the Merger.

Under the terms of the Offer, Vocation is offering to issue Shares and SaleCo is offering to transfer Existing Shares. Refer to Section 7 for further details of the Offer.

The Financial Information has been reviewed and reported on by PricewaterhouseCoopers Securities Ltd ("PwCS") as set out in the Investigating Accountant's Report ("IAR") in Section 8. Investors should note the scope and limitations of the IAR (refer to Section 8).

The Financial Information has been prepared and presented in accordance with the recognition and measurement principles of Australian Accounting Standards, although it is presented in an abbreviated form insofar as it does not include all the disclosures, statements or comparative information as required by Australian Accounting Standards applicable to annual financial reports prepared in accordance with the Corporations Act.

Vocation's key accounting policies are set out in Appendix A.

In accordance with AASB 8 Operating Segments, Vocation has determined that it satisfies the criteria to allow the reporting of one operating segment. This is based on the information reviewed by the Chief Executive Officer to make resource allocation decisions, and on the basis that each of Vocation's business channels has similar economic and regulatory characteristics and similar services are provided. Vocation's sole operating segment is education services in Australia.

4.2.1 Preparation of Historical Financial Information

There are no actual historical consolidated financial results for Vocation. The Historical Financial Information presented reflects a pro forma consolidation of the Founding Companies and the Ancillary Businesses that will comprise Vocation from Listing, and hence assumes completion of both the Merger and Listing.

The Pro Forma Historical Results have been based on the audited statutory historical financial statements of BAWM Pty Ltd for FY2011, FY2012 and FY2013, after adjusting for the pro forma impact of the Merger, for which information has been extracted from audited financial statements or unaudited financial statements, other adjustments to reflect Vocation's operations following Completion of the Offer and to eliminate non-recurring items as set out in Section 4.3.2. The FY2011 and FY2012 audited statutory historical financial statements for BAWM Pty Ltd have been audited by Mitchell Wilson, who issued unqualified audit opinions in respect of these periods. The FY2013 audited statutory historical financial statements for BAWM Pty Ltd were audited by Pitcher Partners, who issued an unqualified audit opinion.

The Pro Forma Historical Cash Flows do not include a pro forma consolidated cash flow statement for FY2011 as Vocation does not have access to sufficient accounting records for FY2010 in order to construct a pro forma cash flow statement for FY2011. Therefore, in the opinion of the Directors, there is not a reasonable basis to include a FY2011 pro forma statement of cash flows for Vocation.

An assumption of \$2.5 million in public company costs has also been included in each financial year.

Investors should note that past results do not guarantee future performance.

4.2.2 Preparation of Forecast Financial Information

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

The Forecast Financial Information has been derived from the statutory consolidated forecast income and cash flow statements of Vocation for FY2014 after adjusting for the Merger and other adjustments to reflect Vocation's operations following Completion of the Offer and to eliminate non-recurring items as set out in Sections 4.3.2 and 4.5.1. Both the statutory consolidated forecast income and cash flow statements for FY2014 consist of actual unaudited results for the three months to 30 September 2013 and Vocation's best estimate forecasts for the nine months to June 2014.

The Forecast Financial Information has been prepared by Vocation based on an assessment of present economic and operating conditions and on a number of best estimate assumptions regarding future events and actions as set out in Sections 4.7.1 and 4.7.2. This information is intended to assist investors in assessing the reasonableness and likelihood of the assumptions occurring, but is not intended to be a representation that the assumptions will occur. The Forecast Financial Information presented in this Prospectus has been reviewed by PwCS but has not been audited. Investors should note the scope and limitations of the IAR (refer to Section 8).

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information, and that this may have a material positive or material negative effect on Vocation's actual financial performance or financial position. Accordingly, none of Vocation, the Directors, Vocation's management, or any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will arise.

The Forecast Financial Information in Section 4.7 should be read in conjunction with the specific assumptions as set out in Section 4.7.2, the general assumptions as set out in Section 4.7.1, the sensitivities as set out in Section 4.8, the risk factors as set out in Section 5 and other information in this Prospectus.

Vocation has no intention to update or revise the Forecast Financial Information or other forward looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

4.2.3 Explanation of certain non-International Financial Reporting Standards ("IFRS") financial measures

Vocation uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to in Section 4 as "non-IFRS financial measures". The principal non-IFRS financial measures that are referred to in this Prospectus are as follows:

Income statement information

Revenue classified by business channel is set out in Section 4.3 and discussed in Section 4.6.1.1. This information is based on Vocation's management reporting system. It is intended that Vocation's audited financial statements will not present segment disclosures.

EBITDA is earnings before interest, tax, depreciation and all amortisation expenses.

EBITA is earnings before interest, tax and amortisation of acquisition related intangibles. It includes amortisation of capitalised course material development costs and depreciation expenses. This is the principal measure that Vocation considers in assessing the operating performance of its business as Vocation does not account for amortisation of acquisition related intangibles in its monthly management accounts.

EBIT is earnings before interest and tax.

NPATA is net profit after tax but prior to the amortisation of acquisition related intangibles.

A reconciliation of EBITA, EBIT and NPATA to NPAT is shown in Section 4.3.1, whilst a reconciliation of EBITDA to EBITA is shown in Section 4.5.1. Although the Directors believe that these measures provide useful information about the financial performance of Vocation, they should be considered as supplements to the income statement measures that have been presented in accordance with the Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Vocation calculated these measures may differ from similarly-titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

SECTION 4: FINANCIAL INFORMATION

4.3 CONSOLIDATED HISTORICAL AND FORECAST INCOME STATEMENTS

The Founding Companies and Ancillary Businesses have a track record of revenue and EBITA growth. Between FY2011 and FY2013, pro forma consolidated revenue increased from \$8.9 million to \$59.2 million and at the same time, pro forma consolidated EBITA increased from \$0.5 million to \$12.3 million. Vocation forecasts pro forma consolidated revenue and EBITA to grow by \$59.1 million and \$22.6 million, respectively, in FY2014.

Figure 4.3.1 sets out the Pro Forma Historical Results, the Pro Forma Forecast Results and the Statutory Forecast Results.

Figure 4.3.1: Summary consolidated historical income statement information from FY2011 to FY2013 and summary consolidated forecast income statements for FY2014

June year end (\$ million)	Pro Forma Historical Results ¹			Pro Forma Forecast Results ²	Statutory Forecast Results
	FY2011	FY2012	FY2013	FY2014	FY2014
- Enterprise	4.0	20.9	18.4	44.9	38.0
- Direct	0.4	1.3	6.8	22.3	20.8
- Solutions	4.5	21.9	34.0	51.1	46.3
Total revenue³	8.9	44.1	59.2	118.3	105.1
Staff and contractor costs	(2.9)	(8.5)	(16.7)	(33.6)	(28.4)
Course delivery costs	(1.3)	(16.6)	(20.0)	(32.1)	(30.1)
External student acquisition costs	-	(1.8)	(0.7)	(4.7)	(4.5)
Other expenses ⁴	(4.2)	(9.2)	(9.5)	(13.0)	(29.3)
Total expenses	(8.4)	(36.1)	(46.9)	(83.4)	(92.3)
EBITA⁵	0.5	8.0	12.3	34.9	12.8
EBITA margin	5.6%	18.1%	20.8%	29.5%	12.2%
Amortisation of acquired intangibles ⁶	(5.1)	(5.1)	(5.1)	(5.1)	(2.8)
EBIT	(4.6)	2.9	7.2	29.8	10.0
Net interest income	0.4	0.4	0.4	0.4	0.2
Net profit/(loss) before tax	(4.2)	3.3	7.6	30.2	10.2
Income tax expense	(0.2)	(2.5)	(3.8)	(10.6)	(3.9)
NPAT	(4.4)	0.8	3.8	19.6	6.3
NPATA⁵	0.7	5.9	8.9	24.7	9.1

1. The Pro Forma Historical Results are reconciled to the Statutory Historical Results in Section 4.3.2.

2. The Pro Forma Forecast Results are reconciled to the Statutory Forecast Results in Section 4.3.2.

3. Refer to Section 3.2 and Section 4.6.1.1 for a description of Vocation's revenue streams by business channel.

4. Other expenses in the Pro Forma Historical Results and Pro Forma Forecast Results include an assumption of public company costs of \$2.5 million in each period and depreciation of \$0.2 million in FY2011, \$0.3 million in FY2012, \$0.4 million in FY2013 and \$0.6 million in FY2014. Other expenses in the Statutory Forecast Results includes the \$20.4 million pre-tax costs of the Offer expensed. Refer to Section 4.3.2 for further details.

5. EBITA and NPATA include the amortisation of capitalised course material development costs (pre-tax amortisation charges of \$0.2 million in FY2013 and \$0.5 million in FY2014); however, they exclude the amortisation of acquisition related intangibles.

6. Relates solely to the amortisation of acquisition related intangibles. Refer to Section 4.4 for details of the pro forma consolidated historical balance sheet as at 30 June 2013 and the intangible assets that are expected to be recognised on completion of the Merger.

4.3.1 Key operating metrics

Figure 4.3.1.1 provides a summary of Vocation's key historical operating metrics for FY2011, FY2012 and FY2013 relating to the Pro Forma Historical Results, and the forecast key operating metrics for FY2014 relating to the Pro Forma Forecast Results and the Statutory Forecast Results.

Figure 4.3.1.1: Summary historical key operating metrics from FY2011 to FY2013 and summary forecast key operating metrics for FY2014

June year end	Pro Forma Historical Results			Pro Forma Forecast Results	Statutory Forecast Results
	FY2011	FY2012	FY2013	FY2014	FY2014
Vocation new course enrolments^{1,2}					
- Enterprise	2,883	9,861	10,216	16,759	13,894
- Direct	49	728	2,555	8,990	7,610
- Solutions	2,585	11,938	11,566	17,789	16,152
Total	5,517	22,527	24,337	43,538	37,656
Average Vocation revenue per new course enrolment (\$)³					
- Enterprise	1,376	2,119	1,780	2,678	2,739
- Direct	n/m	1,765	2,651	2,484	2,734
- Solutions	767	1,562	2,482	2,555	2,678
Total	1,144	1,812	2,205	2,588	2,712

n/m – not meaningful.

- Vocation new course enrolments represent the number of new course enrolments recorded by Vocation in the particular period.
- Actual new course enrolments for Q1 FY2014 represented 24% of the forecast FY2014 new course enrolments (refer to Section 4.7.2.1 for further discussion).
- Average Vocation revenue per new course enrolment excludes non-student related revenue. It also includes revenue generated in a particular period from students who enrolled prior to the commencement of that particular period.

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4.3.2 Pro forma adjustments to the statutory income statements

Figure 4.3.2.1 sets out the adjustments that have been made to the audited statutory historical income statements for BAWM Pty Ltd (Statutory Historical Results), along with the Statutory Forecast Results, to primarily reflect the Merger as if it had occurred as at 1 July 2010 and the full year impact of the operating and capital structure that will be in place following Completion of the Offer as if it was in place as at 1 July 2010. In addition, certain other adjustments to eliminate non-recurring items have been made. These adjustments are summarised below.

Figure 4.3.2.1: Pro forma adjustments to the audited statutory consolidated historical income statements from FY2011 to FY2013 and the statutory consolidated forecast income statement for FY2014

June year end (\$ millions)	Note	Historical			Forecast
		FY2011	FY2012	FY2013	FY2014
Statutory revenue		2.4	28.0	36.7	105.1
Interest income	1	-	-	(0.1)	-
Pro forma impact of the Merger	2	6.7	17.1	23.8	13.5
BAWM Pty Ltd non-recurring items	3	(0.2)	(1.0)	(1.2)	(0.3)
Pro forma revenue		8.9	44.1	59.2	118.3
Statutory NPAT		0.8	4.5	4.7	6.3
Pro forma impact of the Merger	2	2.1	4.8	8.2	3.1
BAWM Pty Ltd non-recurring items	3	(0.1)	(0.7)	(0.1)	-
Public company costs	4	(2.5)	(2.5)	(2.5)	(1.4)
IPO transaction costs	5	-	-	-	20.4
Amortisation of intangibles	6	(5.1)	(5.1)	(5.1)	(2.3)
Net interest income	7	0.4	0.4	0.4	0.2
Income tax effect	8	-	(0.6)	(1.8)	(6.7)
Pro forma NPAT		(4.4)	0.8	3.8	19.6

- Interest income* – an adjustment has been made to exclude interest income from FY2013 revenue in the Pro Forma Historical Results.
- Pro forma impact of the Merger* – an adjustment has been made to the Statutory Historical Results to reflect the Merger, as if the Merger had occurred as of 1 July 2010. The pre-acquisition audited or unaudited income statements of the Founding Companies and the Ancillary Businesses (excluding BAWM Pty Ltd), have been adjusted to eliminate non-recurring items or items not relevant to the operations of these entities and businesses post their acquisition by Vocation.
- BAWM Pty Ltd non-recurring items* – an adjustment has been made to the Statutory Historical Results to eliminate non-recurring items reported in the historical audited income statements of BAWM Pty Ltd.
- Public company costs* – an adjustment has been made to include Vocation's estimate of the incremental annual costs that it will incur as a listed public company. These incremental costs include Director and executive remuneration, additional audit and tax costs, listing fees, share registry fees, directors' and officers' insurance premiums, as well as annual general meeting and annual report costs.
- IPO transaction costs* – total expenses of the Offer are estimated at \$21.7 million, of which \$20.4 million (\$14.3 million net of tax) is expensed in the Statutory Forecast Results. The remaining \$1.3 million (\$0.9 million, net of tax) is directly attributable to the issue of Shares and hence will be offset against equity raised in the Offer.
- Amortisation of intangibles* – reflects inclusion of an estimate of the annual amortisation expense to be incurred in respect of the estimated identified intangible assets to be recognised upon completion of the Merger. This value of identified intangible assets is based on a provisional purchase price allocation exercise conducted by Vocation. Vocation has 12 months from the completion of the Merger in which to finalise this provisional purchase price allocation.
- Net interest income* – reflects inclusion of interest income of \$0.4 million in the Pro Forma Historical Results and Pro Forma Forecast Results.
- Income tax effect* – the forecast income tax rate applicable to Vocation is approximately 30%. This tax rate has been applied to each of the historical and forecast periods. In addition, the tax impact of the above adjustments has been reflected as part of this adjustment.

4.4 CONSOLIDATED HISTORICAL BALANCE SHEET

Figure 4.4.1 below sets out the adjustments that have been made to the audited statutory historical balance sheet for BAWM Pty Ltd as at 30 June 2013 in order to prepare a pro forma consolidated historical balance sheet for Vocation. These adjustments reflect the impact of the operating and capital structure that will be in place following Completion of the Offer as if they had occurred or were in place as at 30 June 2013.

Figure 4.4.1: Pro forma consolidated historical balance sheet as at 30 June 2013

As at 30 June 2013 (\$ million)	Note	BAWM Pty Ltd Audited statutory	Impact of the Merger ¹	Impact of the Offer ²	Vocation Pro forma
Current assets					
Cash and cash equivalents	3	0.7	0.8	10.0	11.5
Trade and other receivables		6.7	4.2	-	10.9
Other current assets		0.1	1.5	-	1.6
Total current assets		7.5	6.5	10.0	24.0
Non-current assets					
Property, plant and equipment		0.6	0.2	-	0.8
Intangible assets		0.8	0.8	189.1	190.7
Deferred tax assets	4	-	-	6.5	6.5
Other		0.1	-	-	0.1
Total non-current assets		1.5	1.0	195.6	198.1
Total assets		9.0	7.5	205.6	222.1
Current liabilities					
Trade and other payables		(3.5)	(3.5)	-	(7.0)
Provisions		(0.1)	(0.7)	-	(0.8)
Income tax liabilities		(0.5)	(0.9)	-	(1.4)
Total current liabilities		(4.1)	(5.1)	-	(9.2)
Non-current liabilities					
Provisions		(0.1)	-	-	(0.1)
Deferred tax liability		(0.1)	-	-	(0.1)
Total non-current liabilities		(0.2)	-	-	(0.2)
Total liabilities		(4.3)	(5.1)	-	(9.4)
Net assets		4.7	2.4	205.6	212.7
Contributed equity	5	-	4.7	217.6	222.3
Retained earnings	6	4.7	(2.3)	(12.0)	(9.6)
Total equity		4.7	2.4	205.6	212.7

1. Reflects the reported net assets of the Founding Companies and the Ancillary Businesses (excluding BAWM Pty Ltd) as at 30 June 2013 per audited or unaudited financial statements, adjusted to exclude acquisition related intangibles and other transactions intended to be settled prior to the Listing date, but excludes the intangible assets to be recognised upon completion of the Merger of \$189.1 million (refer below).
2. Reflects the impact of the Offer, along with the pro forma consolidation entries to recognise the acquisition of the Founding Companies and the Ancillary Businesses (excluding BAWM Pty Ltd), including recognition of the estimated value of intangible assets arising from the Merger of \$189.1 million. Based on the provisional purchase price allocation undertaken by Vocation, it is estimated that total identified intangible assets of \$38.9 million will be recognised, resulting in goodwill of \$150.2 million. Vocation has 12 months from the Completion of the Merger in which to finalise the provisional purchase price allocation. Refer to Figure 4.4.2 below for further detail on acquisition accounting.
3. \$10.0 million of cash raised under the Offer will be retained by the Company. An additional \$1.5 million of cash on hand will be retained in the Company at the time of the Merger.
4. Deferred tax assets of \$6.5 million arise as a result of the Offer costs.
5. Contributed equity increases by \$222.3 million, reflecting the equity raised to fund the Merger and the costs of the Offer, along with the Company raising equity in order to retain \$10.0 million of Offer proceeds as cash, net of that portion of the after-tax costs of the Offer offset against contributed equity of \$0.9 million.
6. Decrease in retained earnings of \$14.3 million reflects \$14.3 million total costs of the Offer (net of tax) expensed in the Statutory Forecast Results.

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Figure 4.4.2: BAWM Pty Ltd – Preliminary Acquisition accounting

(\$ million)	
Consideration for acquisition of Founding Companies and Ancillary Businesses (other than BAWM Pty Ltd)	191.5
Less: Pro forma net assets of the Founding Companies and Ancillary Businesses (other than BAWM Pty Ltd) at 30 June 2013	(2.4)
Intangibles arising on acquisition of Founding Companies and Ancillary Businesses (other than BAWM Pty Ltd)	189.1
<i>Representing:</i>	
Identifiable Intangible Assets (including customer contracts and relationships, software and licences and course materials)	38.9
Goodwill	150.2
Intangibles arising on acquisition of Founding Companies and Ancillary Businesses (other than BAWM Pty Ltd)	189.1

4.4.1 Pro forma adjustments to the statutory consolidated historical balance sheet

Vocation will utilise the proceeds of the Offer, together with available cash, to fund the Merger under the Option Deeds (refer to Section 9.4.2 for more information), to pay the costs of the Offer, to generate incremental working capital of \$10.0 million to support forecast growth, as well as other obligations of Vocation to be paid on Completion of the Offer. Details of the pro forma adjustments made to the audited statutory consolidated historical balance sheet for BAWM Pty Ltd as at 30 June 2013 are set out in the notes to Figure 4.4.1. The pro forma consolidated historical balance sheet is provided for illustrative purposes only and is not represented as being necessarily indicative of Vocation's view on its future financial position. For further information, refer to the notes to Figure 4.4.1. Further information on the sources and uses of funds of the Offer is contained in Section 7.

4.4.2 Indebtedness and capitalisation

Figure 4.4.2.1 below sets out the indebtedness and capitalisation of Vocation as at 30 June 2013, before and following Completion of the Offer.

Figure 4.4.2.1: Pro forma consolidated historical indebtedness and capitalisation as at 30 June 2013

As at 30 June 2013 (\$ million)	Audited statutory BAWM Pty Ltd (before Completion of the Offer) ¹	Pro forma Vocation (following Completion of the Offer)
Cash and cash equivalents	(0.7)	(11.5)
Borrowings	-	-
Total net indebtedness	(0.7)	(11.5)
Contributed equity ²	-	222.3
Retained earnings	4.7	(9.6)
Total capitalisation	4.7	212.7
Total net indebtedness and total capitalisation	4.0	201.2

1. Extracted from the audited statutory financial statements of BAWM Pty Ltd as at 30 June 2013.

2. Contributed equity includes \$0.9 million of Offer costs (after tax) which have been offset against equity raised (see notes to Figure 4.4.1 for further details).

Vocation has entered into a commitment letter for the provision of general purpose facility ("New Banking Facility"), for a three year period from satisfaction of drawdown conditions following Completion of the Offer. The availability of the New Banking Facility is conditional upon, among other things, Listing as contemplated by the Offer.

The general purpose facility will be available for general corporate purposes. The Forecast Financial Information assumes that the facility will not be drawn in FY2014, but given the nature of the Merger, the availability of this facility is intended to provide additional funding flexibility in the event of any unforeseen short-term working capital requirements.

Figure 4.4.2.2: New Banking Facility at Listing

At Listing (\$ million)	Facility commitment	Pro forma drawdown
General purpose facility	5.0	-
Total New Banking Facility	5.0	-

The New Banking Facility is repayable in full at maturity, being three years from the date of Listing. It has a variable interest rate, which is based upon BBSY plus 1.25% per annum and incurs line fees of 1.25% per annum based upon the drawn and undrawn facility commitment amount.

4.4.3 Liquidity and capital resources

Following Completion of the Offer, Vocation's principal sources of funds will be the \$11.5 million cash balance expected to be available on Completion of the Offer and the Merger, along with cash flows from operations.

Vocation's historical and forecast working capital and capital expenditure trends are set out in Sections 4.6.1.5 and 4.7.2.3. The majority of Vocation's capital expenditure relates to expenditure on capitalised course material development costs and miscellaneous property, plant and equipment. Vocation expects that it will have sufficient cash flow from operations to meet its stated objectives during FY2014. Vocation expects that its opening cash and operating cash flows, will position Vocation to grow its business in accordance with the Forecast Financial Information. In addition Vocation has a commitment letter for a New Banking Facility in place, although this is not forecast to be drawn in the Forecast Period.

As the Founding Companies and Ancillary Businesses have historically earned all of their revenues in Australian dollars, they have not historically been exposed to foreign currency risks.

4.4.4 Contractual obligations and commitments

Figure 4.4.4.1 summarises Vocation's contractual obligations and commitments (following Completion of the Offer) under the New Banking Facility and finance and operating leases.

Figure 4.4.4.1: Contractual obligations and commitments

As at 30 June 2013 (\$ million)	Pro forma drawn total	Facility commitment total	Payments due by period		
			<1 year	1-5 years	>5 years
New Banking Facility	-	5.0	-	- ¹	-
Finance lease commitments	-	-	-	-	-
Operating lease commitments	1.1	-	0.9	0.2	-
Total	1.1	5.0	0.9	0.2	-

- As noted in Section 4.4.2, the New Banking Facility is subject to conditions precedent and will not be drawn at Completion of the Offer and the Forecast Financial Information assumes that the facility will not be drawn in FY2014. However, given the nature of the Merger, the availability of this facility is intended to provide additional funding flexibility in the event of any unforeseen short-term working capital requirements. If subsequently drawn, it will be repayable in full at maturity, being three years from the date of satisfaction of draw down conditions.

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4.5 CONSOLIDATED HISTORICAL AND FORECAST CASH FLOWS

The Founding Companies have a track record of cash flow generation, converting a significant proportion of EBITDA to operating free cash flow. Vocation's cash flow generation will be underpinned by its relatively low working capital requirements and relatively low capital expenditure. Figure 4.5.1 sets out the Pro Forma Historical Cash Flows, the Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows.

The Pro Forma Historical Cash Flows do not include a pro forma consolidated cash flow statement for FY2011 as noted in Section 4.2.1.

Figure 4.5.1: Pro forma consolidated historical and forecast operating cash flows from FY2012 to FY2014 and statutory consolidated forecast operating cash flows for FY2014

June year end (\$ million)	Pro Forma Historical Cash Flows		Pro Forma Forecast Cash Flows	Statutory Forecast Cash Flows
	FY2012	FY2013	FY2014	FY2014
EBITA	8.0	12.3	34.9	12.8
Depreciation	0.3	0.4	0.6	0.5
Amortisation ¹	0.1	0.2	0.5	0.5
EBITDA	8.4	12.9	36.0	13.8
Non-cash items in EBITDA	-	-	-	3.8 ³
Change in working capital	0.1	(5.1)	(7.2)	(8.8)
Operating free cash flow before capital expenditure	8.5	7.8	28.8	8.8
Capitalised course material development costs				
Maintenance	-	(0.6)	(0.7)	(0.6)
Expansion	-	(1.0)	(0.2)	(0.1)
Total	-	(1.6)	(0.9)	(0.7)
Property, plant and equipment	(0.2)	(0.4)	(0.8)	(0.8)
Total capital expenditure	(0.2)	(2.0)	(1.7)	(1.5)
Operating free cash flow after capital expenditure	8.3	5.8	27.1	7.3
Net interest received			0.4	0.2
Income tax paid			(10.6)	(3.9)
Net cash flow before dividends			16.9	3.6
Cash conversion ratio ²	98.8%	45.0%	75.3%	52.9%

1. Represents amortisation of capitalised course material development costs only.

2. Operating free cash flow after capital expenditure as a percentage of EBITDA.

3. Represents non-cash share based payments expenses of \$3.8 million as a result of the issue of Shares to Directors and certain members of Vocation's management team in recognition of services rendered prior to Completion of the Offer. These expenses have been included within costs of the Offer.

4.5.1 Pro forma adjustments to the statutory cash flow statements

Figure 4.5.1.1 sets out the adjustments that have been made to the audited statutory historical cash flow statements of BAWM Pty Ltd (Statutory Historical Cash Flows), along with adjustments made to the Statutory Forecast Cash Flows to reflect the full year impact of the Merger and the operating structure that will be in place following Completion of the Offer and to eliminate certain non-recurring items.

Figure 4.5.1.1: Pro forma adjustments to the audited statutory consolidated historical cash flow statements for FY2012 and FY2013 and the statutory consolidated forecast cash flow statement for FY2014

June year end (\$ million)	Historical		Forecast
	FY2012	FY2013	FY2014
Statutory operating free cash flow after capital expenditure	5.2	4.6	7.3¹
Pro forma impact of the Merger	6.3	3.8	4.6
BAWM Pty Ltd non-recurring items	(0.7)	(0.1)	-
Public company costs	(2.5)	(2.5)	(1.4)
IPO transaction costs expensed ²	-	-	16.6
Pro forma operating free cash flow after capital expenditure	8.3	5.8	27.1

1. The FY2014 Statutory Forecast Cash Flows exclude the cash flows in respect of the Offer, with the exception of the Offer costs expensed in the Statutory Forecast EBITDA; refer to Figure 4.5.1.
2. Represents IPO transaction costs expensed in the Statutory Forecast Results of \$20.4 million less non-cash share based payments expense of \$3.8 million.

4.6 MANAGEMENT DISCUSSION AND ANALYSIS OF HISTORICAL FINANCIAL INFORMATION

4.6.1 General factors affecting the operating results of Vocation

Below is a discussion of the main factors that affected Vocation's operations and relative financial performance in FY2011, FY2012 and FY2013 that Vocation expects may continue to affect it in the future.

The discussion of those general factors is intended to provide a brief summary only and does not detail all factors that affected Vocation's historical operating and financial performance, nor everything which may affect Vocation's operations and financial performance in the future.

4.6.1.1 Revenue

An overview of the different business channel revenue streams to be generated by Vocation and the key drivers of each revenue stream is set out below.

Enterprise

Enterprise revenue will be generated from the delivery of education and training services to employees of Australian corporate and government clients. Training provided under the Enterprise model ranges from the provision of a standardised course to the development and delivery of a customised internal training academy solution that covers the learning and development needs of an entire organisation.

The key drivers of Enterprise revenue are the number of students who enrol in Vocation courses, the number of students who complete the particular competencies required of that course and the revenue per course (or unit of competency) undertaken. These depend on a range of factors as set out in Section 3.2.1, including:

- demand for Vocation's services, which in turn depend on the training needs of Vocation's Enterprise clients;
- the rate of employee growth and employee turnover rate in Vocation's Enterprise clients;
- Vocation's ability to secure new Enterprise clients;
- eligibility of employees for government funding including state and territory government funding and Commonwealth Government contributions;
- direct contributions for employee training made by Enterprise clients; and
- average revenue per enrolment, which in turn depends on the type of training delivered, the mix of course, employee mix and the level and mix of government funding and fees for service.

Enterprise revenue is recognised based on the contractual terms of Vocation's client agreements and typically results in revenue recognition either at the time the training is delivered to students or at the time a student has completed the qualification (or unit of competency) within that qualification.

Direct

Direct revenue is generated from the provision of training and education services to individual students. Under the Direct business channel, Vocation will deliver training under both face-to-face and online platforms.

The key drivers of Direct revenue are the number of students trained and the revenue per course (or unit of competency) undertaken. These depend on a range of factors as set out in Section 3.2.2, including:

- Vocation's ability to source students from its four primary methods (direct marketing, agencies, brokers, and corporate client partnerships);

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- eligibility of students for government funding including state and territory government funding and Commonwealth Government contributions;
- eligibility of students for the Commonwealth Government's VET FEE-HELP income-contingent loan scheme;
- direct contributions for training made by students; and
- average revenue per new course enrolment, which in turn depends on the type of training delivered, the mix of course, student mix and the level of government funding.

Direct revenue is recognised at the time a direct student has completed a unit of competency within a program.

Solutions

Solutions revenue will be generated from the provision of a diverse range of services that are ancillary to the delivery of vocational training. The Solutions business channel will generate revenue from the following three broad operations:

1. **RTO Edge:** Vocation will generate revenue as an outsourced managed services provider for VET providers and learning and development and industry specialists in Australia who want to deliver VET programs within the AQF in partnership with an RTO. The key drivers of RTO Edge revenue are the number of students trained by the RTO Edge client and the revenue per course (or unit of competency) undertaken. These depend on a range of factors set out in Section 3.2.3, including:
 - Vocation's ability to generate new RTO Edge clients and increased volumes of new course enrolments in existing RTO Edge clients;
 - eligibility of the students being trained for government funding including state and territory government funding and Commonwealth Government contributions; and
 - average revenue per new course enrolment, which in turn depends on the type of training delivered, the mix of course, client mix, student mix and the level of government funding.

RTO Edge revenues are recognised based on the contractual terms of Vocation's client agreements which typically result in Vocation recording revenue at the time RTO Edge clients advise that a student has completed a unit of competency and request RTO Edge to submit a claim for government funding.
2. **Technology Solutions:** Vocation will generate revenue from the provision of the VETtrak student management system to RTOs and other businesses involved in training people. In addition to the upfront fee that Vocation will charge its clients for the use of the VETtrak software, approximately 60% of VETtrak's annual revenue represents recurring, annuity-style income which is derived from annual licence fees.
3. **Consulting:** Vocation will generate revenue from its project consulting business from the provision of advice and business development services to companies, peak industry bodies and government

departments. Revenue earned from consulting projects is typically negotiated on a project-by-project basis depending on a range of factors including the nature and scope of the project, length of time involved and the uniqueness and value of the intellectual property contributed by Vocation.

4.6.1.2 Expenses

Expenses comprise:

- **staff and contractor costs** – relate to salaries, wages and employment related costs of operational and management staff employed by Vocation. These costs are partly fixed and partly variable. Contractor costs relate predominantly to trainers and assessors who deliver Vocation's training courses and are fully variable;
- **course delivery costs** – relate to external fees paid predominantly to RTO Edge clients, to deliver training to students enrolled in RTO Edge's courses. These costs are fully variable;
- **external student acquisition costs** – relate to commission fees paid to external entities for new student enrolments. These costs are primarily variable; and
- **other expenses** – are predominantly fixed in nature and primarily relate to general corporate overheads, including rent, utilities, other occupancy related costs associated with the premises Vocation occupies, sales and marketing costs, recruitment fees, legal, audit and other professional fees and information technology costs. Other expenses also include an assumption of incremental annual listed public company costs of \$2.5 million, which relate to Director and executive remuneration, additional audit and tax costs, listing fees, share registry fees, directors' and officers' insurance premiums, as well as annual general meeting and annual report costs.

4.6.1.3 Training model

Vocation's training program will span from short courses of several days in duration through to Diploma level qualifications that students may complete in a six to 24 month period. Vocation's business model will allow students to enrol in new courses or program on a daily basis, commencing their training shortly thereafter. Vocation's revenues are therefore not affected by the provision of training in fixed semesters.

4.6.1.4 Seasonality

Vocation has typically experienced higher revenue months in May, June and December each year, representing the typical pre-financial year end/calendar year end focus by Enterprise and Solutions clients on students completing their accreditation by the year end/calendar year end. In FY2013, Vocation's pro forma consolidated H1/H2 revenue and EBITA split was 45%/55%, and 34%/66%, respectively. The higher pro forma consolidated EBITA weighting in the second half reflects the fact that training programs may have already been completed (and hence costs incurred by Vocation) ahead of the revenue being recognised.

4.6.1.5 Cash flows and working capital

Vocation's working capital cycle is impacted by the following key matters:

- state and territory government-funded students typically result in average trade receivables days of 25 days. In FY2013, approximately 80% of the total pro forma consolidated revenue for Vocation was sourced from state and territory governments. RTO Edge clients are paid only after the funds are received from the government by Vocation;
- trade receivables days in respect of the provision of training to Enterprise clients on a fee-for-service basis are dependent on the negotiated trading terms with individual Enterprise clients as set out in their client agreements; and
- staff are paid either fortnightly or monthly, while contracted trainers and assessors are typically paid on 14 day terms.

4.6.2 Pro forma consolidated historical income statements: FY2012 compared to FY2011

Figure 4.6.2.1 sets out the summary pro forma consolidated historical income statements and selected key performance indicators for FY2011 and FY2012.

Figure 4.6.2.1: Summary pro forma consolidated historical income statements and key performance indicators: FY2012 compared to FY2011

June year end (\$ million)	Pro Forma Historical Results		
	FY2011	FY2012	Multiple ⁶
- Enterprise	4.0	20.9	5.2x
- Direct	0.4	1.3	3.3x
- Solutions	4.5	21.9	4.9x
Total revenue	8.9	44.1	5.0x
Staff and contractor costs	(2.9)	(8.5)	2.9x
Course delivery costs	(1.3)	(16.6)	12.8x
External student acquisition costs	-	(1.8)	n/m
Other expenses ¹	(4.2)	(9.2)	2.2x
Total expenses	(8.4)	(36.1)	4.3x
EBITA²	0.5	8.0	16.0x
<i>EBITA margin</i>	5.6%	18.1%	3.2x
Summary of key performance indicators			
Vocation new course enrolments³			
- Enterprise	2,883	9,861	3.4x
- Direct	49	728	14.9x
- Solutions	2,585	11,938	4.6x
Total	5,517	22,527	4.1x
Average Vocation revenue per new course enrolment (\$)⁴			
- Enterprise	1,376	2,119	1.5x
- Direct ⁵	n/m	1,765	n/m
- Solutions	767	1,562	2.0x
Total	1,144	1,812	1.6x

1. Other expenses include depreciation of \$0.2 million in FY2011 and \$0.3 million in FY2012 and an assumption of listed public company costs of \$2.5 million in each of FY2011 and FY2012.

2. FY2012 EBITA includes the amortisation of capitalised course material development costs of \$0.1 million.

3. Vocation new course enrolments represent the number of new course enrolments obtained by Vocation in the particular period.

4. Average Vocation revenue per new course enrolment excludes non-student related revenue (non-student related revenue was \$2.6 million and \$3.2 million in FY2011 and FY2012, respectively). It also includes revenue generated in a particular period from students who enrolled prior to the commencement of that particular period.

5. Direct average Vocation revenue per new course enrolment for FY2011 is not a meaningful figure due to the very low number of new course enrolments in that year (49).

6. Represents FY2012 as a multiple of FY2011.

SECTION 4: FINANCIAL INFORMATION

4.6.2.1 Revenue

FY2012 was a period of high growth. Total revenue increased approximately five times from \$8.9 million to \$44.1 million in FY2012. This was primarily a volume related increase as the number of new course enrolments increased approximately four fold, from 5,517 in FY2011 to 22,527 in FY2012.

A summary of further factors that were material drivers of Vocation's revenue growth in FY2012 are outlined below:

- Enterprise revenue increased five fold to \$20.9 million in FY2012 due to Enterprise new course enrolments increasing by 6,978 or 3.4 times to 9,861 and the increase in average revenue per new course enrolment from \$1,376 to \$2,119. The increase in new course enrolments was driven by increased enrolments with large Enterprise clients in FY2012, whilst the increase in average revenue per new course enrolment reflected the mix impact of higher value, higher qualification courses compared to FY2011.
- From a low base of \$0.4 million in FY2011, Direct revenue increased by 3.3 times to \$1.3 million in FY2012, primarily due to growth in new course enrolments.
- Solutions revenue increased by 4.9 times from \$4.5 million to \$21.9 million in FY2012, predominantly due to the increase in student related revenues. Student related revenues increased by 9.8 times from \$1.9 million to \$18.7 million in FY2012, predominantly due to the introduction of RTO Edge in FY2012 to a significant client. As a consequence, new course enrolments increased by 9,353 to 11,938 in FY2012, or 4.6 times, and average revenue per new course enrolment increased by approximately two times.
- Non-student related Solutions revenue increased marginally from \$2.6 million to \$3.2 million in FY2012.

4.6.2.2 Expenses

Staff and contractor costs increased approximately three fold in FY2012 to \$8.5 million, reflecting a combination of an increase in variable contractor costs and the addition of certain fixed costs to support the revenue growth achieved in FY2012.

Course delivery costs increased by \$15.3 million to \$16.6 million in FY2012 predominantly due to the introduction of RTO Edge in FY2012 as discussed above.

External student acquisition costs were incurred in relation to the sourcing of students for several large Enterprise agreements in FY2012.

Other expenses increased by \$5.0 million to \$9.2 million in FY2012, reflecting the investment required to support the revenue growth achieved.

4.6.2.3 EBITA

EBITA increased from \$0.5 million in FY2011 to \$8.0 million in FY2012, reflecting a combination of the significant revenue growth discussed above, partially offset by an unfavourable mix impact caused by the increased contribution of the lower margin RTO Edge revenues as a proportion of total Vocation revenues, together with a \$5.0 million increase in other expenses as discussed above. The increase in RTO Edge revenues were the primary driver of the decrease in contribution margin (the margin on total revenue after deducting staff and contractor costs, course delivery costs and external student acquisition costs) from 52.8% in FY2011 to 39.0% in FY2012.

The EBITA margin increased from 5.6% to 18.1% in FY2012 reflecting the operating leverage achieved from revenue growth (5.0x) exceeding the growth in total expenses (4.3x).

4.6.3 Pro forma consolidated historical income statements: FY2013 compared to FY2012

Figure 4.6.3.1 sets out the summary pro forma consolidated historical income statements and selected key performance indicators for FY2012 and FY2013.

Figure 4.6.3.1: Summary pro forma consolidated historical income statements and key performance indicators: FY2013 compared to FY2012

June year end (\$ million)	Pro Forma Historical Results		
	FY2012	FY2013	Change
- Enterprise	20.9	18.4	(12.0%)
- Direct	1.3	6.8	423.1%
- Solutions	21.9	34.0	55.3%
Total revenue	44.1	59.2	34.2%
Staff and contractor costs	(8.5)	(16.7)	96.5%
Course delivery costs	(16.6)	(20.0)	20.5%
External student acquisition costs	(1.8)	(0.7)	(61.1%)
Other expenses ¹	(9.2)	(9.5)	3.3%
Total expenses	(36.1)	(46.9)	29.9%
EBITA²	8.0	12.3	53.8%
<i>EBITA margin</i>	<i>18.1%</i>	<i>20.8%</i>	<i>2.7%</i>
Summary of key performance indicators			
Vocation new course enrolments³			
- Enterprise	9,861	10,216	3.6%
- Direct	728	2,555	251.0%
- Solutions	11,938	11,566	(3.1%)
Total	22,527	24,337	8.0%
Average Vocation revenue per new course enrolment (\$)⁴			
- Enterprise	2,119	1,780	(16.0%)
- Direct	1,765	2,651	50.2%
- Solutions	1,562	2,482	58.9%
Total	1,812	2,205	21.7%

1. Other expenses include depreciation of \$0.3 million in FY2012 and \$0.4 million in FY2013 and an assumption of public company costs of \$2.5 million in each of FY2012 and FY2013.

2. EBITA includes the amortisation of capitalised course material development costs (\$0.1 million in FY2012 and \$0.2 million in FY2013).

3. Vocation new course enrolments represent the number of new course enrolments obtained by Vocation in the particular period.

4. Average Vocation revenue per new course enrolment excludes non-student related revenue (non-student related revenue was \$3.2 million and \$5.4 million in FY2012 and FY2013, respectively). It also includes revenue generated in a particular period from students who enrolled prior to the commencement of that particular period.

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SECTION 4: FINANCIAL INFORMATION

4.6.3.1 Revenue

Total revenue increased by 34.2% to \$59.2 million in FY2013, driven by the 21.7% increase in average revenue per new course enrolment and growth in new course enrolments of 8.0%. The growth in average revenue per new course enrolment in FY2013 was predominantly a function of a favourable price/mix impact in the Solutions business channel (discussed further below), partially offset by an unfavourable price/mix impact in Enterprise.

A summary of further factors affecting Vocation's revenue growth in FY2013 is outlined below:

- Enterprise revenue declined by 12.0% to \$18.4 million in FY2013 due to the completion of a large training program for a particular Enterprise client that was predominantly conducted in FY2012. This also resulted in a decline in the average revenue per new course enrolment for Enterprise;
- Prior to FY2013, Vocation's revenues were derived primarily from the Enterprise and Solutions business channels. Following investment made in the Direct business channel in FY2013, Direct revenues increased by 5.2 times in FY2013 to \$6.8 million. This revenue growth was predominantly driven by growth in new course enrolments of 3.5 times in the year, predominantly due to the introduction of new training programs focused on warehousing and civil construction qualifications at Sunshine in Melbourne's western suburbs. The introduction of these programs also resulted in an increase in the average revenue per new course enrolment for the Direct channel of 50.2% to \$2,651 in FY2013; and
- Solutions revenue increased by 55.3% (\$12.1 million) to \$34.0 million in FY2013. \$2.2 million of the \$12.1 million increase related to growth in non-student related revenues. The remaining \$9.9 million of revenue growth was primarily achieved due to an increase in the average revenue per new course enrolment of 58.9%. This increase was largely due to a significant improvement in the mix of students that were eligible for government funded qualifications in FY2013, at higher overall fee levels. This revenue growth was achieved despite a 3.1% decline in new course enrolments for Solutions in FY2013.

4.6.3.2 Expenses

Staff and contractor costs approximately doubled in FY2013 to \$16.7 million, reflecting the investment made in both trainers and assessors (primarily contractors) and full-time staff to support the continued business growth, including investment into the Direct business channel.

Course delivery costs increased by 20.5% to \$20.0 million in FY2013, primarily reflecting the growth in RTO Edge revenues in Solutions. However, these costs as a percentage of Solutions revenue reduced in FY2013, reflecting a change in contract mix towards agreements where Vocation managed a greater proportion of services internally.

External student acquisition costs declined in FY2013, due to a combination of the expansion of the internal Vocation business development team and the quantum of student acquisition fees paid in respect of a large Enterprise contract which ceased in FY2012.

Other expenses increased by \$0.3 million or 3.3%, reflecting a lower level of required investment in the corporate overhead in that year. The decline in these costs as a percentage of revenue in FY2013 reflects the scalability of the primarily fixed costs included in this cost category.

4.6.3.3 EBITA

EBITA increased by \$4.3 million in FY2013 to \$12.3 million (a 53.8% increase) which reflected the combination of the significant revenue growth achieved in the Solutions and Direct business channels, partially offset by the further investment made by the business in staff and contractors, along with the unfavourable mix impact of the strong revenue growth of the (comparatively lower margin) Solutions business channel. The latter two factors resulted in the contribution margin decreasing to 36.8% in FY2013.

The EBITA margin increased from 18.1% to 20.8% in FY2013 reflecting the aforementioned revenue growth and operating leverage in the business.

4.6.4 Pro forma consolidated historical cash flows: FY2013 compared to FY2012

Figure 4.6.4.1 sets out the summary pro forma consolidated historical operating cash flow statements for FY2012 and FY2013.

Figure 4.6.4.1: Summary pro forma consolidated historical cash flow statements and key performance indicators: FY2013 compared to FY2012

June year end (\$ million)	Pro Forma Historical Cash Flows		
	FY2012	FY2013	Change
EBITA ¹	8.0	12.3	53.8%
Depreciation	0.3	0.4	33.3%
Amortisation	0.1	0.2	100.0%
EBITDA	8.4	12.9	53.6%
Change in working capital	0.1	(5.1)	n/m
Operating free cash flow before capital expenditure	8.5	7.8	(8.2%)
Capitalised course material development costs			
Maintenance	-	(0.6)	n/m
Expansion	-	(1.0)	n/m
Total	-	(1.6)	n/m
Property, plant and equipment	(0.2)	(0.4)	100%
Total capital expenditure	(0.2)	(2.0)	n/m
Operating free cash flow after capital expenditure	8.3	5.8	(30.1%)
Cash conversion ratio ²	98.8%	45.0%	

n/m – change is not meaningful.

1. EBITA represents EBITA per the Pro Forma Historical Results.

2. Operating free cash flow after capital expenditure as a percentage of EBITDA.

4.6.4.1 Change in working capital and capital expenditure

Change in working capital

Investment in working capital of \$5.1 million in FY2013 was largely due to the increase in receivables balances driven by the revenue growth achieved in FY2013 in the Direct business channel and the timing of the conduct of training and accreditation programs for several Enterprise clients in late FY2013. As noted previously, the revenue growth achieved in the Solutions business channel was predominantly due to RTO Edge, which is working capital neutral.

Capital expenditure

The majority of capital expenditure incurred in FY2013 represented the investment in both online and face-to-face course materials for Vocation's training programs. This investment included both the creation of material for new courses (classified as expansion capital expenditure) and updating existing course material as part of the RTO re-registration process in H2 FY2013 (classified as maintenance capital expenditure).

FY2013 was a period of significant investment in the development of the AVANA Sky platform. The majority of Vocation's IT and software development costs incurred in respect of AVANA Sky have been expensed as incurred rather than capitalised.

4.7 FORECAST FINANCIAL INFORMATION

The Forecast Financial Information has been prepared based on the significant accounting policies adopted by Vocation, which are in accordance with Australian Accounting Standards and are disclosed in Appendix A. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Vocation's accounting policies during FY2014.

The Forecast Financial Information is based on various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Vocation has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for FY2014. Vocation believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in Section 4.7.1.

However, the actual results are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Vocation, the Directors and management, and are not reliably predictable.

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Accordingly, none of Vocation, its Directors, management, or any other person can give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from the assumptions, with a material consequential impact on the Forecast Financial Information.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in Section 4.8, the risk factors set out in Section 5 and the Investigating Accountant's Report on the Forecast Financial Information set out in Section 8. A reconciliation of the Pro Forma Forecast Results to the Statutory Forecast Results is set out in Section 4.3.2.

4.7.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions in relation to the Forecast Period have been adopted:

- no material change in the competitive operating environment in which Vocation operates;
- no significant deviation from current market expectations of global or Australian economic conditions relevant to the VET sector in Australia;
- no material changes in Commonwealth, state or territory government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Vocation;
- no material changes in Commonwealth Government, state and territory government funding arrangements for the VET sector, and/or Vocation, other than contemplated in this Prospectus that have a material impact on the financial performance or cash flows, financial position, accounting policies, financial reporting or disclosure of Vocation;
- no material changes in key personnel, including key management personnel. It is also assumed that Vocation maintains its ability to recruit and retain the personnel required to support future growth;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act

which have a material effect on Vocation's financial performance, financial position, accounting policies, financial reporting or disclosure;

- no material industry strikes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of Vocation;
- no material cash flow or income statement or balance sheet impact in relation to litigation (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments;
- no material changes to Vocation's corporate and funding structure other than as set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of Vocation or other material changes in its business;
- no material amendment to any material agreement or arrangement relating to Vocation's business other than set out in, or contemplated by, this Prospectus;
- none of the risks listed in Section 5 has a material adverse impact on the operations of Vocation;
- the final FY2014 dividend is paid in September 2014;
- the Offer proceeds are received in accordance with the timetable set out on page 2 of this Prospectus; and
- no cost or revenue synergies arising from the formation of Vocation.

4.7.2 Specific assumptions

4.7.2.1 Pro forma consolidated forecast income statements: FY2014 compared to FY2013

The pro forma consolidated forecast income statement for FY2014 has been prepared on the basis of the actual unaudited financial results for the three months to 30 September 2013 per Vocation's management accounts and Vocation's pro forma consolidated forecast income statement for the nine months ending 30 June 2014. Vocation's forecast for the nine months ending 30 June 2014 also has regard to the current trading performance of Vocation up until the date of lodgement of this Prospectus.

Figure 4.7.2.1.1 sets out the summary pro forma consolidated income statements and selected key performance indicators for FY2013 and FY2014.

Figure 4.7.2.1.1: Summary pro forma consolidated income statements and key performance indicators: FY2014 compared to FY2013

June year end (\$ million)	Pro Forma Historical Results	Pro Forma Forecast Results	Change
	FY2013	FY2014	
- Enterprise	18.4	44.9	144.0%
- Direct	6.8	22.3	227.9%
- Solutions	34.0	51.1	50.3%
Total revenue	59.2	118.3	99.8%
Staff and contractor costs	(16.7)	(33.6)	101.2%
Course delivery costs	(20.0)	(32.1)	60.5%
External student acquisition costs	(0.7)	(4.7)	571.4%
Other expenses ¹	(9.5)	(13.0)	36.8%
Total expenses	(46.9)	(83.4)	77.8%
EBITA²	12.3	34.9	183.7%
<i>EBITA margin</i>	20.8%	29.5%	8.7%
Amortisation of acquired intangibles	(5.1)	(5.1)	-
EBIT	7.2	29.8	313.9%
Net interest income	0.4	0.4	-
Profit before tax	7.6	30.2	297.4%
Income tax expense	(3.8)	(10.6)	178.9%
NPAT	3.8	19.6	415.8%
NPATA²	8.9	24.7	177.5%
Summary of key performance indicators			
Vocation new course enrolments ³			
- Enterprise	10,216	16,759	64.0%
- Direct	2,555	8,990	251.9%
- Solutions	11,566	17,789	53.8%
Total	24,337	43,538	78.9%
Vocation average revenue per new course enrolment (\$) ⁴			
- Enterprise	1,780	2,678	50.4%
- Direct	2,651	2,484	(6.3%)
- Solutions	2,482	2,555	2.9%
Total	2,205	2,588	17.4%

1. Other expenses include depreciation of \$0.4 million in FY2013 and \$0.6 million in FY2014 and an assumption of listed public company costs of \$2.5 million in each of FY2013 and FY2014.
2. EBITA and NPATA include the amortisation of capitalised course materials (pre-tax amortisation charge of \$0.2 million in FY2013 and \$0.5 million in FY2014).
3. Vocation new course enrolments represent the number of new course enrolments obtained by Vocation in the particular period.
4. Average Vocation revenue per new course enrolment excludes non-student related revenue (non-student related revenue was \$5.4 million in FY2013 and is forecast to be \$5.7 million in FY2014), but also includes revenue generated in a particular period from students who enrolled prior to the commencement of that particular period.

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The key assumptions underpinning the Pro Forma Forecast Results are as follows:

Revenue

Total revenue is forecast to increase by \$59.1 million in FY2014, with growth forecast across all three business channels. The forecast growth is primarily attributable to expected growth in the volume of students trained across the three business channels, and to a lesser extent, the favourable impact of higher average revenue per new course enrolment.

A summary of the key factors that are expected to drive the forecast revenue growth in FY2014 are:

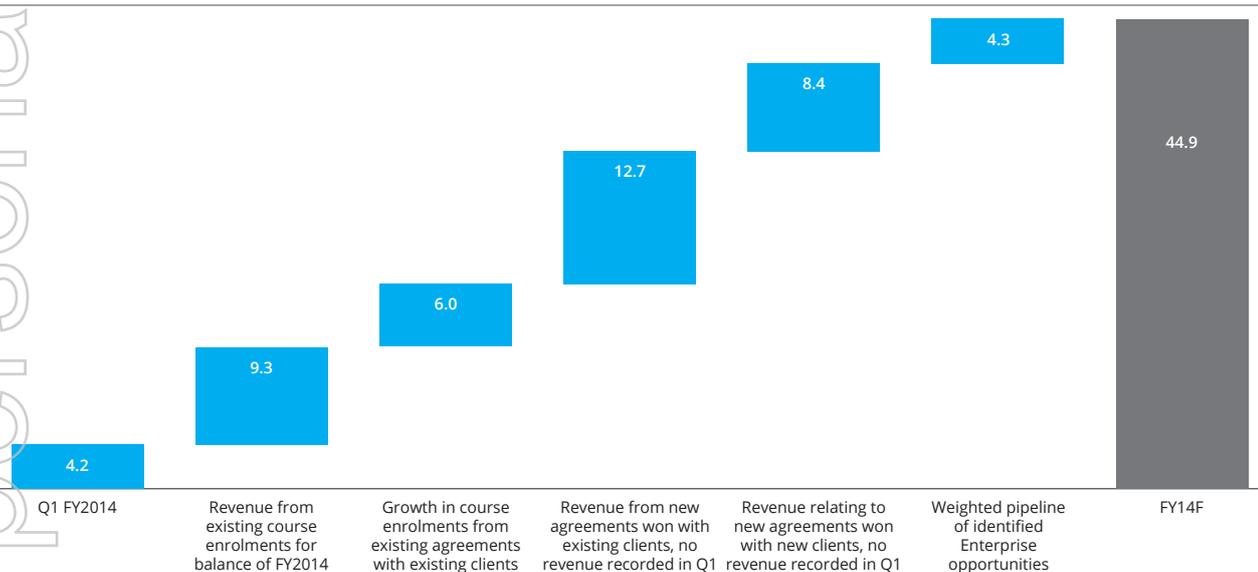
Enterprise: This business channel is forecast to increase revenues by \$26.5 million, representing approximately 44.8% of the total Vocation forecast revenue growth in FY2014. Of the \$26.5 million Enterprise revenue growth forecast, approximately \$17.4 million is forecast from a growth in new course enrolments, with the balance of \$9.1 million forecast revenue growth attributed to forecast improvement in average revenue per new course

enrolment. The forecast improvement in average revenue per new course enrolment is primarily due to several new Enterprise agreements. Enterprise revenues include all Diploma level qualifications under the VET FEE-HELP funding program (\$3.7 million of FY2014 revenue forecast to be generated from VET FEE-HELP funded programs). For the purposes of revenue classification by business channel, VET FEE-HELP students have been included in the Enterprise business channel; however, some VET FEE-HELP funded students may be recruited via the Direct channel.

Enterprise new course enrolments are forecast to increase by 64.0% to 16,759 in FY2014. These forecast new course enrolments for FY2014 consist of agreements won (includes agreements signed, as well as agreements awarded but subject to final documentation) and a probability-weighted pipeline of identified opportunities.

Figure 4.7.2.1.2 sets out the FY2014 forecast revenue bridge for Enterprise showing the revenue recorded in Q1 FY2014 and the forecast for the remaining nine months of FY2014.

Figure 4.7.2.1.2: Enterprise revenue bridge – Q1 FY2014 to FY2014



Revenue forecasts have been prepared on an Enterprise client or agreement level basis, using course enrolment by qualification specified under each contract or estimates of new course enrolments by qualification agreed, or under negotiation, with the Enterprise client, and expected average revenue per new course enrolment for the relevant qualification. Enterprise agreements can be long term (up to five years), providing both visibility into new course enrolments and revenues.

Figure 4.7.2.1.2 shows that actual Enterprise revenues for Q1 FY2014 represented 9.4% of the FY2014 forecast, reflecting that fact that no revenues were recorded in Q1 FY2014 in respect of several large agreements which have recently been won. As at the end of September 2013, \$36.4 million (89%) of the forecast revenue for the remaining nine months of FY2014 was based on Enterprise agreements already won, including:

- \$9.3 million of revenue from existing course enrolments for the balance of FY2014;
- \$6.0 million of forecast revenue growth from existing agreements with existing clients;
- \$12.7 million of forecast revenue from new agreements won with existing clients, where no revenue has been recorded in Q1 FY2014; and
- \$8.4 million of forecast revenue from new agreements won with new clients, where no revenue has been recorded in Q1 FY2014.

Three new agreements with existing clients represent over 90% of the \$12.7 million forecast revenue from agreements won with existing clients, where no revenue was recorded in Q1 FY2014. Course enrolments have commenced for all three of these new agreements and training is scheduled to be undertaken in Q2 FY2014 and Q3 FY2014.

Two new agreements won with new clients represent 64% of the \$8.4 million forecast revenue from agreements won with new clients, where no revenue was recorded in Q1 FY2014. In respect of one of these new agreements won, course enrolments have been completed and training has commenced in Q2 FY2014. In respect of the second new agreement won, the detailed operational planning process has commenced with the client, including the client providing student information, but the agreement remains subject to final documentation. The remainder of the forecast revenue in this category relates to programs which are scheduled to commence in either Q2 FY2014 or Q3 FY2014, whereby in the majority of cases, either the course enrolment process has commenced or student information has been shared.

The remaining 11% (\$4.3 million) of revenue forecast for the remaining nine months of FY2014 relates to revenue expected to be generated from a weighted pipeline of identified Enterprise opportunities. The unweighted pipeline of revenues from identified Enterprise opportunities exceeds \$60 million (actual revenue contribution in FY2014 if won would not represent full year revenues from these clients). The FY2014 forecast does not include any revenue from new agreements that are not currently identified.

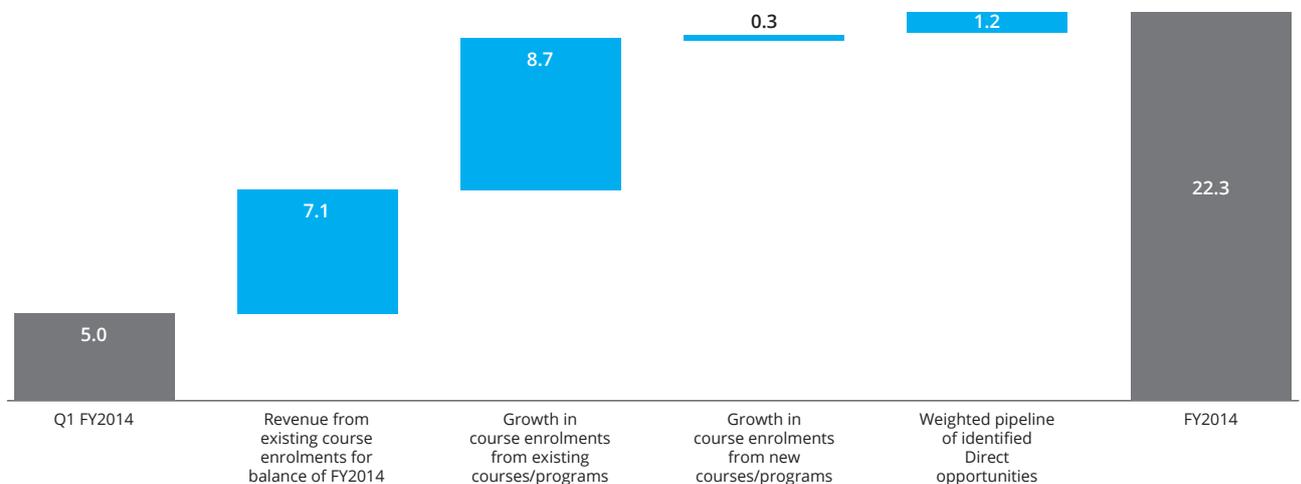
Due to the longer average duration of courses undertaken by Enterprise students, total course enrolments up until the end of September 2013 included a proportion of new course enrolments which were secured in FY2013. As a consequence, FY2014 revenues will result from a combination of new course enrolments secured in FY2013 and those secured in FY2014.

Actual new course enrolments for Enterprise in Q1 FY2014 represented 19% of the forecast FY2014 new course enrolments, reflecting the second half weighting of new course enrolments in the forecast as a result of recent large Enterprise client wins noted above.

Direct: Direct revenue is forecast to increase by \$15.5 million or approximately 3.3 times in FY2014, representing approximately 26% of the total Vocation forecast revenue growth in FY2014. Of the \$15.5 million Direct revenue growth forecast, approximately \$16.0 million is forecast from expected growth in new course enrolments (in particular, continued growth in the Building Brighter Futures program, introduction of Career Direct and growth in AVANA Sky), partially offset by a forecast decline in average revenue per new course enrolment.

Direct FY2014 revenue forecasts have been based on forecast new course enrolments for both existing and new courses and/or programs. New programs refer primarily to new student acquisition channels. Course enrolment projections have been developed on a course-by-course or program-by-program basis using run-rate revenues and/or course enrolments for that course, or similar courses, as a basis for projecting full-year course enrolments. Figure 4.7.2.1.3 sets out the FY2014 forecast revenue bridge for Direct showing the revenue recorded in Q1 FY2014 and the forecast for the remaining nine months of FY2014.

Figure 4.7.2.1.3: Direct revenue bridge – Q1 FY2014 to FY2014



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SECTION 4: FINANCIAL INFORMATION

Actual Q1 FY2014 Direct revenues represented 22% of the FY2014 forecast. As at 30 September 2013, the Direct revenue forecast of \$17.3 million for the remaining nine months of FY2014 includes:

- \$7.1 million of revenue expected to be generated from the full year impact of existing course enrolments continuing their training for the balance of FY2014;
- \$8.7 million of revenue is forecast to be generated from the expected growth in new course enrolments from existing courses or programs for the balance of FY2014, and has been forecast based on an extrapolation of recent actual new course enrolments received by Vocation. This reflects the full year impact of the Building Brighter Futures program and the continued growth of the recently introduced Career Direct program;
- \$0.3 million of revenue forecast from expected growth in course enrolments from new courses or programs for the balance of FY2014; and
- \$1.2 million of forecast revenue from the weighted pipeline of identified Direct opportunities.

Actual new course enrolments for the Direct business channel in Q1 FY2014 represented 18% of the forecast FY2014 new course enrolments, reflecting the expected continuation of recent growth trends in new course enrolments across FY2014.

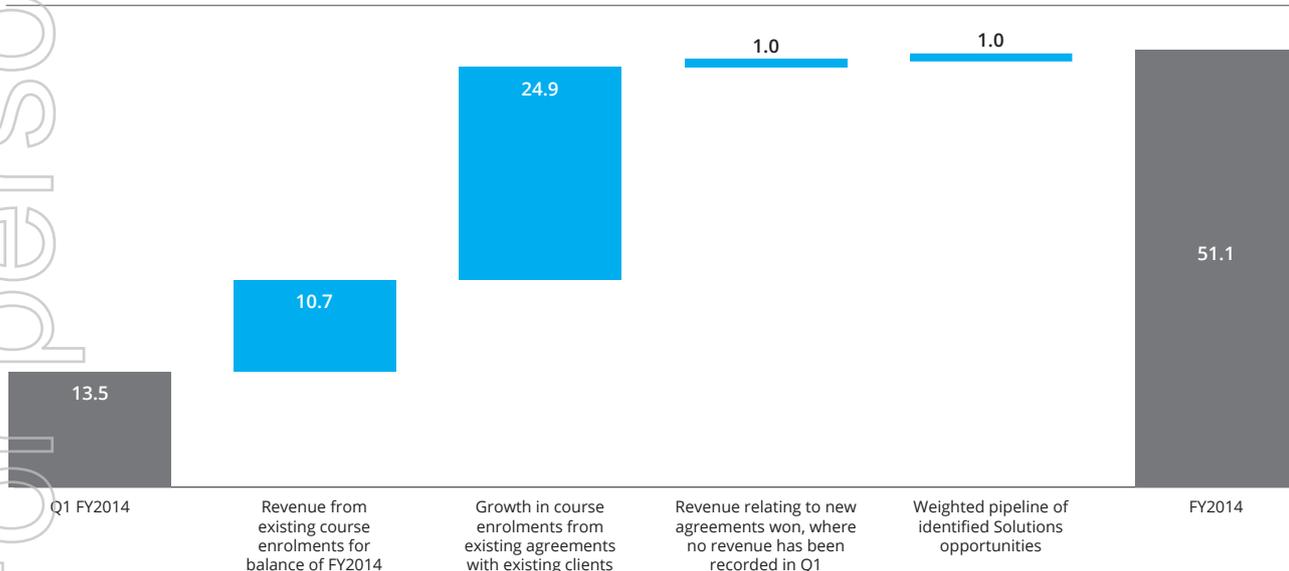
Solutions: Solutions revenue is forecast to increase by \$17.1 million or 50.3% in FY2014, representing approximately 28.9% of the total Vocation forecast revenue growth in FY2014. Of the \$17.1 million forecast growth in Solutions revenue, approximately \$16.0 million is forecast to be generated from expected growth in new course enrolments, with the balance attributed to an expected favourable change in average revenue per new course enrolment.

85% of Solutions revenue is forecast to be generated by RTO Edge clients in FY2014. RTO Edge revenue forecasts for FY2014 have been generated based primarily on existing agreements and clients. RTO Edge revenue forecasts have been prepared on a client-by-client basis using run-rate revenues and course enrolments as a basis for projecting full year course enrolments and revenue per course enrolment for the relevant qualification. Most RTO Edge clients are not RTOs and therefore must partner with a contracted RTO to connect eligible students to their funding entitlement and are therefore considered a relatively predictable revenue source.

The FY2014 forecast does not include any revenue from potential demand for RTO Edge services outside of Victoria.

Figure 4.7.2.1.4 sets out the FY2014 forecast revenue bridge for Solutions showing the revenue recorded in Q1 FY2014 and the forecast for the remaining nine months of FY2014.

Figure 4.7.2.1.4: Solutions revenue bridge – Q1 FY2014 to FY2014



Actual Q1 FY2014 Solutions revenues represented 26.4% of the FY2014 forecast. As at 30 September 2013, 84% of forecast Solutions revenue for the remainder of FY2014 relates to existing RTO Edge clients and 94.7% of the forecast Solutions revenue for the remainder of FY2014 was forecast to be generated from existing clients (including RTO Edge clients). This included \$10.7 million from existing course enrolments, \$24.9 million from growth in existing agreements and clients, \$1.0 million relating to new agreements where no revenue had been recorded, with the remaining \$1.0 million relating to a pipeline of identified opportunities.

Actual new course enrolments in Solutions for Q1 FY2014 represented 31.6% of the forecast FY2014 new course enrolments.

Overall key performance indicators: On a total basis across Vocation's three business channels, actual new course enrolments for Q1 FY2014 represented 24.1% of the forecast FY2014 new course enrolments.

Seasonality: Vocation's forecast revenue and EBITA H1/H2 seasonality for FY2014 is expected to be in the range of 40-45%/55-60% and 30-35%/65-70%, respectively. This compares to Vocation's revenue and EBITA seasonality of 45%/55% and 34%/66% in FY2013, reflecting the ongoing growth in the business and the expected continuation of Vocation's seasonality trends set out in Section 4.6.1.4.

Expenses

Staff and contractor costs are forecast to approximately double in FY2014 to \$33.6 million, consistent with the forecast growth in total revenues in FY2014. The forecast reflects the expected investment to be made in both trainers and assessors (primarily contractors) and full-time staff to support the forecast business growth. Vocation is confident that it can secure the necessary training and assessment resources in order to deliver the forecast revenue growth in FY2014.

Course delivery costs are forecast to increase by 60.5% to \$32.1 million in FY2014, broadly reflecting the forecast growth in RTO Edge revenues in the Solutions business channel.

External student acquisition costs are forecast to increase from \$0.7 million to \$4.7 million in FY2014, reflecting Vocation's recent expansion of student acquisition channels to drive the forecast growth in Direct, Solutions and Enterprise course enrolments in FY2014.

Other expenses are forecast to increase by 36.8% in FY2014, reflecting the expected further investment in corporate overhead to continue to support the forecast growth in Vocation. The gradual decline in these costs as a percentage of revenue reflects the scalability of this primarily fixed cost category.

The Forecast Financial Information does not include any material costs of, or any potential benefits arising from, the Merger and resulting operational integration of the Founding Companies and Ancillary Businesses. Vocation believes the potential benefits expected to be generated from operating under the new Vocation structure post Listing will outweigh any such costs incurred in the Forecast Period.

EBITA

EBITA is forecast to increase by \$22.6 million in FY2014 to \$34.9 million, the primary driver of which is the forecast revenue growth and a forecast improvement in the business channel sales mix described below.

The contribution margin in FY2013 was 36.8% and is forecast to increase to 40.5% in FY2014 reflecting a positive change in the business channel sales mix (higher margin Direct and Enterprise revenues as a percentage of total Vocation revenues are forecast to increase in FY2014) and to a lesser extent, a forecast improvement in profitability from Enterprise agreements.

The above factors are partially offset by the increase in other expenses of \$3.5 million in FY2014.

The EBITA margin is forecast to increase from 20.8% to 29.5% in FY2014 reflecting the impact of the above factors.

Net interest income

Net interest income of \$0.4 million has been forecast for FY2014 based on the Pro Forma Forecast Cash Flows and Vocation's expected balance of cash on hand as at Listing of \$11.5 million.

Income tax expense

Income tax expense of \$10.6 million has been forecast for FY2014 based on an effective tax rate of 30.0%, equal to the Australian corporate tax rate. Income tax expense has been adjusted to reflect the tax effect of the pro forma adjustments made to the Forecast Financial Information (refer to Section 4.3.2).

SECTION 4: FINANCIAL INFORMATION

4.7.2.2 Pro forma consolidated cash flow statements: FY2014 compared to FY2013

Figure 4.7.2.2.1 sets out the summary pro forma consolidated cash flow statements for FY2013 and FY2014.

Figure 4.7.2.2.1: Summary pro forma consolidated cash flow statements and key performance indicators: FY2014 compared to FY2013

June year end (\$ million)	Pro Forma Historical Cash Flows	Pro Forma Forecast Cash Flows	Change
	FY2013	FY2014	
EBITA ¹	12.3	34.9	183.7%
Depreciation	0.4	0.6	50.0%
Amortisation	0.2	0.5	150.0%
EBITDA	12.9	36.0	179.1%
Change in working capital	(5.1)	(7.2)	41.2%
Operating free cash flow before capital expenditure	7.8	28.8	269.2%
Capitalised course material development costs			
Maintenance	(0.6)	(0.7)	16.7%
Expansion	(1.0)	(0.2)	n/m
Total	(1.6)	(0.9)	(43.8%)
Property, plant and equipment	(0.4)	(0.8)	100.0%
Total capital expenditure	(2.0)	(1.7)	(15.0%)
Operating free cash flow after capital expenditure	5.8	27.1	367.2%
Cash conversion ratio ²	45.0%	75.3%	

n/m = change is not meaningful

1. EBITA for FY2013 and FY2014 represents EBITA per the Pro Forma Historical Results and Pro Forma Forecast Results, respectively.

2. Operating free cash flow after capital expenditure as a percentage of EBITDA.

4.7.2.3 Change in working capital and capital expenditure

Change in working capital

Increased investment in working capital in the FY2014 forecast is primarily driven by the forecast revenue growth across the Direct and Enterprise business channels, along with the forecast expansion in average net working capital days as a result of the increase in Direct and Enterprise revenues as a proportion of total Vocation revenues. The forecast growth in RTO Edge is not expected to require further working capital investment.

Capital expenditure

The forecast capital expenditure in FY2014 represents forecast maintenance spend in relation to existing course materials (\$0.7 million), investment in the development of course materials for new VET FEE-HELP courses (\$0.2 million), \$0.3 million expected investment into IT software and systems to support the financial management and integration of Vocation post Listing and \$0.5 million of expected investment into miscellaneous property, plant and equipment.

Vocation intends to invest approximately 2% to 3% of revenues in the maintenance and development of course materials, of which it expects that it would seek to capitalise course material development costs equivalent to approximately 1% of revenues. Vocation's policy is to amortise capitalised course material development costs over three years.

4.8 SENSITIVITY ANALYSIS

The Forecast Financial Information included in Section 4.7 is based on a number of estimates and assumptions as described in Sections 4.7.1 and 4.7.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Vocation, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the Pro Forma Forecast Results to changes in a number of key assumptions. The changes in the key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown. For the purposes of this analysis, each sensitivity is presented in terms of the impact of each on FY2014 pro forma forecast NPAT of \$19.6 million and is set out below.

Care should be taken in interpreting each sensitivity. The estimated impact of changes in each of the assumptions has been calculated in isolation from changes in other assumptions, in order to illustrate the likely impact on the Pro Forma Forecast Results. In practice, changes in assumptions may offset each other or be additive, and it is likely that management would respond to any adverse change in one item to seek to minimise the net effect on Vocation's NPAT and cash flow.

Figure 4.8.1: Vocation NPAT sensitivity table

Assumption	Increase/decrease	FY2014 pro forma NPAT impact ¹ (\$ million)
Vocation's new course enrolments ²	+/- 1%	+/- 0.3
Average Vocation enrolment revenue per new course enrolment ³	+/- 1%	+/- 0.8
Staff and contractor costs	+/- 1%	-/+ 0.2

1. Assumes a 30% effective tax rate.
2. Shows the impact of movements in Vocation new course enrolments at the FY2014 forecast average revenue per new course enrolment. An increase or decrease in new course enrolments will potentially have a differing impact on margin based on the business channel in which the movement in new course enrolments occurs, but this is unable to be quantified as Vocation does not allocate expenses by business channel. Hence for the purposes of the above sensitivity analysis, it is assumed that movement in new course enrolments has a direct impact on staff and contractor costs, course delivery costs and external student acquisition costs. It is also assumed that all new course enrolments commence and complete during FY2014.
3. Average Vocation enrolment revenue per new course enrolment is impacted by the level of qualification being sought by a student (which typically impacts upon course duration and overall funding levels), attrition rates and the mix of government-funded students versus fee-for-service.

4.9 DIVIDEND POLICY

There will be no dividend paid for the six months ending 31 December 2013.

Depending on available profits and the financial position of Vocation, it is the intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. It is expected that all future dividends will be franked to the maximum extent possible. The payment of a dividend by Vocation is at the discretion of the Directors and will be a function of a number of factors, including the general business environment, the operating results and the financial condition of Vocation, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Vocation, and any other factors the Directors may consider relevant.

Having regard to the factors outlined above, it is the Board's current intention to target a dividend payout ratio in the range of 60% to 80% of NPATA. The first dividend is anticipated to be paid in respect of earnings for the six months ending 30 June 2014. When determining the dividend to be paid in relation to the six months ending 30 June 2014 the Board intends to determine the appropriate payout ratio and apply it to the statutory NPATA for that period.

The level of payout ratio is expected to vary between periods depending on the factors above, but should value-accretive strategic growth, acquisition or investment opportunities arise the payout ratio may be less than the target.

No assurances can be given by any person, including the Board, about the payment of any dividend and the level of franking on any such dividend.

No dividend reinvestment plan has been assumed to be activated by Vocation during the Forecast Period.

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SECTION 5

Risk factors

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5.1 INTRODUCTION

There are a number of risks, both specific to Vocation and of a general nature, which may either individually, or in combination, materially and adversely impact the future operating and financial performance of Vocation and the value of the Shares. While Vocation will seek to manage these risks in order to prevent adverse outcomes, many of these risks are outside the control of Vocation, and its Directors and management.

Section 5 describes some of the key risks associated with an investment in the Shares. These risks have been separated into:

- business risk factors (described in Section 5.2);
- tax risk factors (described in Section 5.3); and
- investment risk factors (described in Section 5.4).

Prospective investors should note that this is not an exhaustive list of the risks associated with an investment in Vocation. Section 5 should also be read in conjunction with other information disclosed in this Prospectus. Prospective investors should consider these risks in light of their personal circumstances (including financial and tax issues) and should also consider seeking professional guidance from their accountant, financial adviser, stockbroker, lawyer or other independent professional adviser before deciding whether to invest in Shares.

5.2 BUSINESS RISK FACTORS

5.2.1 Loss of state or territory government funding contracts, or access to Commonwealth Government funding programs

At Listing, Vocation will have 16 state and territory government funding contracts across Australia, and will have access to Commonwealth Government funding programs including the NWDF and traineeships. These state and territory contracts outline the terms and conditions under which Vocation will receive funding for the delivery of training to eligible individuals, which includes ongoing reporting and audit requirements. There is a risk that Vocation could lose one or more of these contracts for breaches or non-compliance, or as a result of the change of control of its RTOs which will occur upon Listing. If Vocation were to lose one or more of these funding contracts, or if Vocation were to lose access to Commonwealth Government funding programs, this could have a material adverse impact on Vocation's operations, earnings or financial position.

5.2.2 Change in government funding and support arrangements for the VET sector

A large proportion of the revenue received by private VET providers is derived from government grants and subsidies. A significant proportion of Vocation's revenue is derived from Commonwealth, state and territory government funding. Funding from various governments accounted for approximately 80% of Vocation's pro forma consolidated revenue for FY2013. If any government decides to reduce funding available to the private VET sector generally, or to reduce funding to Vocation specifically, this could have a material adverse impact on Vocation's earnings and financial position.

Further, there is also a risk that one or more governments may divert funding away from the segments of the VET sector in which Vocation operates. For example, under the VTG, the Victorian government regularly reassesses the subsidy levels paid for an hour of training delivery across qualifications and industries, with subsidy levels determined by the Victorian government's assessment of the value of each course to the economy in terms of jobs or productivity and the extent to which government investment is required to stimulate delivery of, and participation in, particular training to meet industry needs. To the extent that Vocation does not remain responsive to changes in government priorities, this may have a material adverse impact on the Company's earnings and financial position.

In addition to funding, the Commonwealth Government provides support to eligible VET students via its VET FEE-HELP income-contingent loan scheme, which allows eligible students to pay for all or part of their VET tuition fees using VET FEE-HELP assistance, with the student repaying the loan to the Commonwealth Government through the tax system once the student reaches the minimum income threshold level for repayment. There is a risk that the Commonwealth Government could either alter or reverse this policy, or not allow Vocation to access the scheme, which could have a material adverse impact on Vocation's earnings and financial position.

5.2.3 Regulatory factors

RTOs in the Australian VET sector are regulated by ASQA, the VRQA or the TAC.

The registration of an RTO is subject to audit and review for re-registration every five years, and audits may also be prompted by applications for changes to scope of registration. Vocation must ensure that its RTOs co-operate in all audit and monitoring activities. The required date for audit and re-registration of each of Vocation's RTOs is detailed in Section 3.8.1. An adverse audit outcome may result in an RTO being prevented from re-registering, which could have a material adverse impact on Vocation's reputation, earnings and financial position.

During their respective periods of registration, each of Vocation's eight RTOs must remain compliant with their conditions of registration. If an RTO does not operate in accordance with the conditions of registration, the relevant regulatory bodies can apply enforcement powers, and legislation provides for sanctions as well as civil and criminal penalties. Noncompliance by any of Vocation's RTOs and any associated regulatory response may have an adverse impact on Vocation's reputation, the allocation of its financial and management resources, and the Company's future earnings and financial position. As at the Prospectus Date, Vocation's management is not aware of any material instances of noncompliance by its RTOs.

While Vocation's eight RTOs currently hold relevant registrations to operate as VET providers, there is no guarantee that these registrations will be retained into the future. If Vocation is unable to obtain or retain requisite registrations, or if the approvals of any registrations are delayed or revoked, this may have a material adverse impact on Vocation's earnings and financial position.

SECTION 5: RISK FACTORS

Further, Vocation's operations involve dealing with student brokers as well as sub-contracted trainers and educators. Any regulatory change that affects Vocation's ability to utilise these third party operators could have a material adverse impact on Vocation's operations and could potentially have a material adverse impact on the Company's earnings and financial position.

5.2.4 Contract loss or delay

Vocation will have contracts or terms of business in place with Commonwealth, state and territory governments and various Enterprise and Solutions clients. Typically, these contracts can be terminated on relatively short notice by Vocation's clients and the loss or delay in implementation of any such contract may have a material adverse impact on Vocation's earnings and financial position.

In addition, contracts with clients typically do not guarantee a minimum volume of student numbers or course enrolments. Therefore, there is also a risk that one or more clients may reduce the volume of training undertaken through Vocation, or delay a training program, which may have a material adverse impact on Vocation's earnings and financial position.

5.2.5 Demand driven funding model

Victoria, South Australia and Queensland are currently at varying stages of implementation of a demand driven funding model, which allows students in these states to determine which provider (public or private) receives government funding based on their individual preferences. A number of other states and territories in which Vocation operates have stated an intention to transition to a demand driven funding model in the near future (refer to Section 2.1.3). If there is a reversal or delay of any of these state or territory governments in their implementation of a demand driven funding model, this could have a material adverse impact on Vocation's earnings and financial position.

5.2.6 Growth strategy execution

Each of the Founding Companies has historically achieved strong growth and there can be no assurance that Vocation will continue to achieve the same level of growth achieved historically.

There is a risk that Vocation may not be able to successfully execute the growth strategies outlined in Section 3.9. For example, Vocation may not achieve the growth in student numbers or course enrolments that are forecast, or the national expansion of its RTO Edge business or AVANA Sky online delivery model may not eventuate as intended.

This risk may increase if Vocation fails to attract or retain qualified personnel required to execute the Company's planned growth strategy, as outlined below.

5.2.7 Formation of Vocation

Vocation will be formed as a result of the Merger. The Merger is conditional upon the Underwriting Agreement not being terminated or adversely varied, but will be completed prior to Listing. The formation of Vocation will result in a number of specific risks which are set out below.

5.2.7.1 Integration

Following completion of the Merger, Vocation's management will oversee the financial, operational and risk reporting of the Founding Companies and the Ancillary Businesses. This will involve a significant expansion of management responsibilities and financial, operational and risk reporting functions. Vocation will seek to manage this expansion by implementing effective operating, financial and accounting systems.

Over time, Vocation will seek to integrate the operations of the Founding Companies and the Ancillary Businesses as part of Vocation's Enterprise-Direct-Solutions business channel strategy (refer to Section 3.2). This will involve managing considerable number of integration risks, including:

- the potential disruption to the ongoing operations of the individual businesses;
- a potential strain on financial and managerial controls, and reporting systems and procedures; and
- greater than anticipated costs and expenses related to any restructuring that may be required.

Even with appropriate systems and processes in place, an inability to implement oversight and reporting across all business units or a delay in receiving reporting or non-identification of issues or areas which require improvement, may result in errors or deficiencies in Vocation's management, which could in turn result in misreporting of Vocation's financial results or delayed identification of issues. Each of these integration risks may have a material adverse impact on Vocation's earnings and financial position.

5.2.7.2 Due diligence

Vocation and its advisers have performed certain pre-Listing due diligence on each of the Founding Companies and the Ancillary Businesses for Vocation (and Vocation has the benefit of certain warranties under the Implementation Agreement, the Option Deeds and the BAWM Sale Agreement). There is a risk that the due diligence conducted has not identified issues that would have been material to the decision by Vocation to acquire those businesses. A material adverse issue which was not identified prior to completion of the Merger could have an adverse impact on the financial performance or operations of the relevant businesses and may have a material adverse impact on Vocation's earnings and financial position.

As is usual in the conduct of mergers, the due diligence process identified a number of risks associated with the Founding Companies and the Ancillary Businesses, which Vocation, as the intended acquirer, needed to evaluate and manage. The mechanisms used by Vocation to manage these risks included in certain circumstances the acceptance of the risk as tolerable on commercial grounds such as materiality. There is a risk that the approach taken by Vocation may be insufficient to mitigate the risk, or that the materiality of these risks may be higher than expected, and hence they may have a material adverse impact on Vocation's earnings and financial position.

5.2.7.3 Change in corporate governance requirements

The creation of Vocation as a result of the Merger will mean Vocation, as a listed public company, will adopt and implement certain financial reporting and corporate governance requirements. As noted in Section 3.8.1, Vocation will have a full internal audit program to address all corporate governance, compliance and operational risks of the business. An inability by Vocation to adequately manage and resource its financial reporting and corporate governance obligations, or to properly identify key compliance risks, may have a material adverse impact on Vocation's licensing, regulatory compliance and reputation.

5.2.8 Increased competition and change in market structure

The market for VET services in Australia is highly competitive. Vocation will compete with other VET providers including private RTOs, public TAFE institutes and, to a lesser extent, other tertiary education providers. Competition is primarily based on the quality of training offered, the cost of training, the perceived reputation of the training provider, and the employability of graduates from the training provider.

In order to compete effectively, Vocation must meet each of these competitive challenges from existing market participants as well as respond effectively to any changes in the competitive landscape. The competitive landscape may evolve, for example, through the entry of new competitors into the market, the consolidation of existing market participants, or a change in government policy which affects the distribution of public funding to the VET sector.

Any increase in competition or deterioration in the competitive position of Vocation could have a material adverse impact on Vocation's earnings and financial position. Section 4.8 provides a sensitivity analysis outlining the impact of changes in Vocation's revenue growth rates, along with new course enrolments and other material assumptions supporting the Forecast Financial Information.

5.2.9 Revenue concentration

Vocation will receive a significant proportion of its revenues from providing training services to Enterprise and Solutions clients. Revenue from the five largest Enterprise clients and the five largest clients in the Solutions business channel are forecast to account for, respectively, 23% and 21% of Vocation's FY2014F pro forma consolidated revenue. Those clients are expected to continue to account for a significant percentage of Vocation's revenue in the future. The significant reduction in or loss of business with one or more of its major Enterprise or Solutions clients could have a material adverse impact on Vocation's earnings and financial position.

5.2.10 Impairment of intangible assets

As a result of the Merger, Vocation will recognise a material value of intangible assets on its balance sheet relating to goodwill and identifiable intangible assets, principally client relationships, training materials, licences and software. As set out in Figure 4.4.1, the amount of goodwill will be calculated by deducting the total net tangible assets and identifiable intangible assets deemed to be acquired by BAWM Pty Ltd under the terms of the Merger, from the consideration for each entity acquired, which will be assessed at the fair value of any share component plus the cash consideration.

Under Australian Accounting Standards, goodwill and indefinite life intangible assets must be regularly tested for impairment. Other identifiable intangible assets are amortised and assessed for any indicators of impairment each reporting period. Impairment of any individual asset will result from a permanent diminution in value indicated by a decrease in profits below the level that supports the value of the asset. If impaired, Vocation would need to write down the value of the intangible assets, which would result in an expense in the income statement and could have a material adverse impact on Vocation's earnings and financial position.

5.2.11 Loss of key personnel

5.2.11.1 Loss of Executive Founders or other key management personnel

The loss of key executives, in particular the CEO Mark Hutchinson, COO Wendy Bonnici, Executive Manager, Education Michael Langtree, and other Executive Founders, could cause material disruption to Vocation's activities in the short to medium term. While the remaining shareholdings of the Executive Founders in Vocation and equity incentives of key personnel are designed to align their interests with Vocation's future performance, they do not provide a guarantee of the continued employment of the Executive Founders with Vocation.

Refer to Section 6.4 for details of contractual arrangements for key management personnel, including some of the Executive Founders.

Refer to Section 9.6 for information about the voluntary Escrow Arrangements applicable to Shares which are issued to each of the Executive Founders, certain other Vendor Founders, Directors and the CFO. Refer to Sections 6.4 and 9.7 for details of the incentive and retention arrangements for key management personnel.

5.2.11.2 Loss of other key employees

There are a number of other employees of Vocation who have been instrumental to the success of the Founding Companies. These individuals typically possess deep industry expertise and have well-established relationships with their clients. The loss of key employees, for example due to retirement or relocation, could result in the loss of key client relationships and expertise within those businesses, which could have a material adverse impact on the current and future earnings streams associated with those relationships, and the ability to attract new clients.

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5.2.11.3 Ability to hire and retain qualified staff

Vocation will require additional trainers, marketing, sales and support staff to support its planned growth. Attracting and retaining qualified personnel may require increased salaries and enhanced benefits in more competitive markets. Vocation may experience difficulty in attracting and retaining qualified personnel required to execute its planned growth strategy, which could have a material adverse impact on Vocation's operations, earnings and financial position.

5.2.12 Student recruitment, awareness and acceptance of Vocation's courses

Vocation's ability to ensure the awareness of its programs among potential clients and student populations, such as high school graduates and working adults seeking vocational education or training, is critical to the continued acceptance and growth of the business. An inability to continue to develop awareness could have a material impact on new enrolments and impair Vocation's ability to increase revenues or maintain profitability. The following are some of the factors that could prevent Vocation from successfully marketing its programs:

- student dissatisfaction with Vocation's programs and services;
- diminished access to potential student populations;
- failure to maintain or expand the Vocation brand or other factors related to marketing or advertising practices;
- failure to maintain relationships with key clients; and
- availability of funding sources acceptable to Vocation students.

In order to sustain growth into the future, Vocation is dependent on sourcing students through both Direct and Enterprise channels. In addition to the Company's own channels, students can be sourced through brokers or indirectly through arrangements with other organisations. If Vocation is unable to source sufficient numbers of students for training and education, this will materially impact on Vocation's earnings and financial position.

5.2.13 Damage to the Vocation and underlying brands

The success of Vocation is dependent on its reputation and branding. Maintaining the strength of the Vocation and underlying brands is one factor that could impact on Vocation's ability to recruit students, maintain the registrations of its RTOs, receive government funding, maintain corporate and government relationships and successfully implement its business strategy. Any factors which undermine the strength of Vocation's reputation and brands may impact on the Company's competitiveness, growth and profitability, for example, by impacting Vocation's ability to attract and retain students.

Allegations of wrongdoing on the part of Vocation or any other VET provider could attract adverse media coverage or regulatory scrutiny which focuses not only on the individual RTO in question, but on the VET sector as a whole. These allegations and subsequent attention could potentially have an adverse impact on Vocation.

5.2.14 Technology

5.2.14.1 IT systems and infrastructure

Vocation will rely on proprietary and third party software products and services from a number of different providers for internal data management and reporting and the delivery of services to clients.

Standard back-up, restoration and recovery procedures are in place for Vocation. However, despite these protections, any significant interruptions to these systems could impair the ability of Vocation to continue to provide its services, or cause the loss or corruption of data. Either of these impacts, or other potential effects, could have a material adverse impact on Vocation's earnings and financial position.

5.2.14.2 Back office integration

Upon the formation of Vocation, it is proposed that management will evaluate and consider the operational consolidation of the Founding Companies and the Ancillary Businesses, with the intention of developing best practice IT systems for service delivery and accounting to drive further efficiencies within each business.

The financial results for the Forecast Period do not include any specific allowance for integration costs but nor do they assume any benefits from this integration. Nevertheless, failure to successfully complete this integration may have a material adverse impact on Vocation's efficiency and earnings in future periods, or may require unexpected expenditure on integration related costs.

5.2.15 Acquisitions

From time to time Vocation may undertake acquisitions consistent with its stated growth strategy. The successful implementation of acquisitions will depend on a range of factors including funding arrangements and cultural compatibility. To the extent that acquisitions are not successfully integrated with Vocation's existing business, the financial performance of Vocation could be adversely impacted. Depending on a range of factors at the time of any future acquisition, including Vocation's share price, its financial position and performance, and the nature of the acquisition, the Board may decide that it is in the best interests of Vocation and its Shareholders to fund the acquisition through the issue of further Shares. If this were to occur, it may result in dilution of the ownership interests of Shareholders.

5.2.16 Litigation

Due to the nature of its business, Vocation may be the subject of complaints from, or litigation by, clients, students, government agencies or third parties alleging negligence, inadequate supervision and other grounds for liability. There can be no assurance that legal claims will not be made against Vocation, or that Vocation's insurance will be adequate to cover liabilities resulting from any such claim. Any such claim, or the publicity arising from it, could have a material adverse impact on Vocation's earnings and financial position.

5.3 TAX RISK FACTORS

5.3.1 Changes in tax legislation

The tax information provided in this Prospectus is based on current taxation law as at the Prospectus Date. Tax law is frequently being changed, both prospectively and retrospectively. There are a number of key tax reform measures that have been implemented in recent years, and a number of other key reforms that have been deferred. Furthermore, the status of some key tax reforms remains unclear at this stage.

The recent reforms and current proposals for further reforms to Australia's tax laws give rise to uncertainty. The precise scope of much of the new and proposed tax laws is unclear and has not been tested before the courts. Any change to the current rate of income tax or other taxes imposed on Vocation in jurisdictions where Vocation operates will impact on Shareholder returns. Similarly, any changes to the current rates of relevant taxes applying to individuals and other Shareholders will impact on Shareholder returns. In addition, any change in tax rules and tax arrangements could have an adverse effect on the level of dividend imputation and franking and Shareholder returns. An interpretation of Australian taxation laws by the Commissioner of Taxation that is contrary to Vocation's view of those laws may increase the amount of tax to be paid. Personal tax liabilities are the responsibility of each individual investor. Vocation is not responsible for taxation or penalties incurred by investors.

5.3.2 Partially franked or unfranked dividends

Vocation's management expects dividends to be franked to the maximum extent possible. However, there is no guarantee that Vocation will have sufficient franking credits in the future to fully frank dividends or that the franking system will not be varied or abolished.

The value and availability of franking credits to a Shareholder will differ depending on the Shareholder's particular tax circumstances. Shareholders should also be aware that the ability to use the franking credits, either as a tax offset or to claim a refund after the end of the income year will depend on the individual tax position of each Shareholder.

5.4 INVESTMENT RISK FACTORS

5.4.1 Founders' influence on Vocation

At the Prospectus Date, the BAWM Founders own all of the outstanding Shares. Following completion of the Offer and Merger, the Founders will collectively own a significant proportion of the outstanding Shares. Although these Shareholders are generally unrelated, there exists the potential for them to exert a significant degree of influence over Vocation's management and affairs and over matters requiring Shareholder approval, including the election of Directors and approval of significant corporate

transactions. Accordingly, there is a risk that these investors may make decisions that do not accord with, or are not in the best interests of, other Shareholders. For example, the Founders could, through their concentration of ownership, delay or prevent a change of control, even if a change is in the best interests of other Shareholders.

5.4.2 Fluctuation in Share price

There are pricing and other risks associated with any investment in a company listed on a stock market. The price of shares on ASX may rise or fall due to numerous factors which may affect the market performance of Vocation, including changes in Australian and other international stock markets, investor sentiment, domestic and world economic conditions and outlook, inflation rates, interest rates, employment, taxation and changes to government policy, legislation or regulation.

The market price of the Shares could be volatile or fluctuate in response to a wide range of factors and actual or anticipated events, including variations in Vocation's prospects or operating results, changes in industry dynamics including competition and regulation), and other events or factors affecting the operations, financial performance or actual or perceived value of Vocation.

Further, the share prices for many companies have in recent times been subject to wide fluctuations, which in many cases may reflect a diverse range of non-company-specific influences such as global hostilities and tensions, acts of terrorism and the general state of the economy. Such market fluctuations may materially adversely affect the market price of the Shares.

No assurances can be given that the performance of the Shares will not be adversely affected by any such market fluctuations or factors. None of Vocation, the Directors, management, or any other person guarantees the performance of the Shares.

5.4.3 Release of Shares from escrow

Except as disclosed in this Prospectus, Shares which are held by each of the Executive Founders, certain other Vendor Founders, the Directors and the CFO at Completion of the Offer will be subject to voluntary Escrow Arrangements and may not be traded until the applicable Shares are released from escrow.

If the applicable Shareholders decide to sell some or all of their Shares at the completion of the applicable Escrow Periods (either collectively or individually), the volume of potential Shares for sale may be significant relative to Vocation's free float and daily trading volume. This may cause a decline in the price at which the Shares trade on ASX, potentially leading up to, at the time of, or post completion of the Escrow Periods.

For further detail on the voluntary Escrow Arrangements, refer to Section 9.6.

SECTION 5: RISK FACTORS

5.4.4 Trading in Shares may not be liquid

There is currently no public market through which the Shares may be sold. There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is lower or higher than the price that Shareholders paid.

Except as disclosed in this Prospectus, Shares which are held by each of the Executive Founders, certain other Vendor Founders and the Directors at Completion of the Offer will be subject to voluntary Escrow Arrangements, and cannot be disposed of until they are released from escrow. These holdings represent a significant number of the Shares to be issued on Listing and may reduce liquidity in the Shares until their release from escrow.

5.4.5 General economic conditions

The operating and financial performance of Vocation is influenced by a variety of general economic and business conditions in Australia and global economic conditions generally. For example, prolonged deterioration in general economic conditions may result in a sustained decrease in business confidence, which could impact the demand of Vocation's Enterprise clients for education and training or result in a decrease in government funding available to the VET sector. These events could be expected to have a material adverse impact on Vocation's business or financial position.

5.4.6 Changes in government policies

Changes in relevant taxation, interest rates and other legal and administrative regimes, as well as government policies in Australia and overseas may adversely affect the financial performance of Vocation. Furthermore, changes in government policies with respect to student visas and student mobility may reduce opportunities for students to study outside their country of origin, which could have a material adverse impact on Vocation's earnings and financial position.

5.4.7 Force majeure events

Events may occur within or outside Australia that could impact upon the world economy, the operations of Vocation and the price of the Shares. These events include war, acts of terrorism, civil disturbance, political intervention and natural events such as earthquakes, floods, fires and poor weather.

5.4.8 No guarantee in respect of investment

The above list of risk factors should not be taken as an exhaustive list of the risks faced by Vocation or by investors in Vocation. The above factors, and others not specifically referred to above, may materially affect the financial performance of Vocation and the value of the Shares. The Shares issued under the Offer carry no guarantee in respect of profitability, dividends, return of capital or the price at which they may trade on ASX. Furthermore, there is no guarantee that the Shares will remain continuously quoted on ASX, which could impact the ability of prospective Shareholders to sell their Shares.

SECTION 6

Key people, interests and benefits

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SECTION 6: KEY PEOPLE, INTERESTS AND BENEFITS

6.1 BOARD OF DIRECTORS

At Listing, the Board will comprise five members, consisting of one Executive Director and four Non-Executive Directors. The Directors have a range of experience in the VET sector, corporate governance, financial management, government relations and mergers and acquisitions.

Figure 6.1.1: Board of Directors



John Dawkins AO

Non-Executive and independent Chairman

John will be appointed as Chairman to the Board in 2013 upon its formation and will serve on the Nomination and Remuneration and Audit and Risk Committees.

John is a former Treasurer of Australia (1991-1993) and Minister for Employment, Education and Training (1987-1991) under the Keating and Hawke Labor governments, respectively, during which time he oversaw considerable reform of the higher education sector and in particular vocational training.

Following his political career, John has served on the boards of a number of listed and unlisted companies such as Elders Rural Bank and Asgard Capital Management. He is currently Chair of ILH Group and Sovereign Gold and is a member of the Trustee Board of Cbus Super, among other company appointments.

He has advised governments around the world on education issues and currently advises Commonwealth, state and territory ministers as Chairman of the NSSC on developing and maintaining the national standards for the regulation of the VET industry in Australia. John has chaired the NSSC and its predecessor the National Quality Council for the past three and half years. His current appointment will finish before the end of the first half of next year.

In 2000, John was made an Officer of the Order of Australia for services to the reform of international trade as foundation chairman of the Cairns Group, the reform of the federal budget, education and training, and to the Australian Parliament.



Mark Hutchinson

Executive Director and CEO

Mark is the founder and CEO of AVANA, one of the Founding Companies of Vocation. Since inception in 2011, AVANA has experienced strong growth.

Mark has considerable management experience in the tourism and VET sectors. He previously founded UNTAMED in 2002, a nature-based tourism and training company that was sold in 2011. He also founded an RTO in 2007 servicing tourism and indigenous students, which served as the seed asset for AVANA. He has over six years experience in the VET sector.

Mark holds a Masters of Business Administration (INSEAD) and a Bachelor of Economics (The University of Sydney).



Steve Tucker

Non-Executive Director (independent)

Steve will be appointed to the Board in 2013 upon its formation as a Non-Executive Director and will serve on the Nomination and Remuneration and Audit and Risk Committees.

Steve was the CEO of MLC from 2004 until 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 acted as an adviser to government as part of a taskforce looking into superannuation matters and was heavily involved in the development and implementation of several key regulatory reforms in the finance sector.

Steve is a former director on a number of NAB group boards including MLC Ltd, MLC Investments Ltd, JBWere and National Wealth Management Holdings. 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.

Steve holds a Bachelor of Economics (The University of Western Australia).


Michelle Tredenick

Non-Executive Director (independent)

Michelle will be appointed to the Board in 2013 upon its formation as a Non-Executive Director and will chair the Nomination and Remuneration Committee and also serve on the Audit and Risk Committee.

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 is chairman of IAG NRMA Corporate Superannuation Pty Ltd. She is also chair of Comparehealth Pty Ltd, a private company, in the online health insurance industry. She sits on the Banking and Finance Oath Review Panel and the Corporate Development Committee for the University of Western Sydney. She 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.

She has held roles including Chief Information Officer for Suncorp, MLC and NAB, as well as Head of Strategy for MLC and Group General Manager, Strategy and Marketing for Suncorp. She was also CEO of MLC's Corporate Superannuation business and New Zealand businesses.

Michelle also has trained as an ethics counsellor for the St James Ethics Centre. She has a Bachelor of Science from University of Queensland and is a Fellow of the Australian Institute of Company Directors.


Doug Halley

Non-Executive Director (independent)

Doug will be appointed to the Board in 2013 upon its formation as a Non-Executive Director and will chair the Audit and Risk Committee and also serve on the Nomination and Remuneration Committee.

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 currently chairman of DUET Group; Foyson Resources Ltd; and the Advisory Board of Australian Enterprise Holdings. He is a founding investor and director of Print & Digital Publishing which produces "Time Out".

Previous listed directorships include Fairfax, Corum Group, Kollakorn Corporation, and Television & Media Services. In addition, he was a committee member of the Finance and Treasury Association for six years and has been a corporate representative on numerous industry bodies (e.g. Austraclear). Doug has chaired several Audit & Risk Committees.

Doug holds a Bachelor of Commerce, Masters of Business Administration and is a Fellow of the Australian Institute of Company Directors.

The composition of the Board committees and a summary of its key corporate governance policies are set out in Section 6.4.

Each Director above has confirmed to Vocation that they anticipate being available to perform their duties as a Non-Executive Director or Executive Director (as the case may be) without constraint from other commitments.

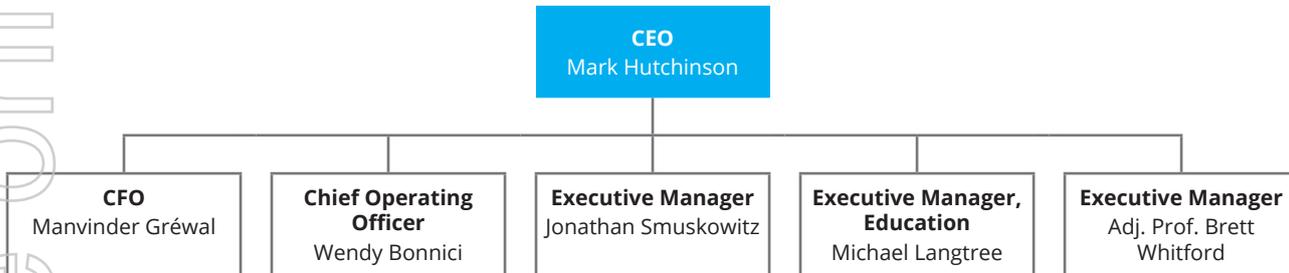
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SECTION 6: KEY PEOPLE, INTERESTS AND BENEFITS

6.2 SENIOR MANAGEMENT

Figure 6.2.1 provides a summary of the structure of Vocation's senior management team.

Figure 6.2.1 Senior management of Vocation



Mark Hutchinson

Executive Director and CEO

See Figure 6.1.1.



Manvinder Gréwal

Chief Financial Officer

Manvinder had an 18 year audit and advisory career with KPMG UK and PwC Australia, which included working with a number of businesses across a range of sectors including education, consumer, media, services and industrial companies.

Manvinder was also a principal of Absolute Partners, a boutique management advisory firm, and in the last 18 months worked with several companies in strategic CFO roles.

Manvinder holds a Bachelor of Arts (Hons) in Accounting and Financial Management (University of Sheffield) and trained as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.



Wendy Bonnici

Chief Operating Officer

Wendy is one of the founders and the Managing Director of BAWM, one of the Founding Companies. She has overseen BAWM's growth to become one of Australia's largest private education providers. Wendy will oversee and manage the transition of BAWM's operations into Vocation, and will lead the integration plan for Vocation.

Wendy has over 20 years experience in human resources management, which has included the responsibility for aligning corporate training requirements with VET provision. Wendy has held senior roles in human resources across the retail and telecommunications industries. She joined UCMS Group in 2004 to become the Executive General Manager – Human Resources prior to it being acquired by Aegis in 2009.

Wendy holds a Bachelor of Economics (Monash University), a Masters in Business (Swinburne University) and a Post Graduate Diploma in Organisation Behaviour (Swinburne University).



Jonathan Smuskowitz
Executive Manager

Jonathan joined AVANA in 2011 as Commercial Director and will oversee and manage the transition of AVANA's operations into Vocation. He has extensive commercial experience across a range of industries including financial services, media and technology.

Jonathan was part of the private equity team that acquired the Commonwealth Bank's vehicle leasing business in 2004 as well as a leading novated leasing business in Australia in 2005 to form SG Fleet, a significant player in the international fleet management and leasing industry. He also led the management buy-out of the largest independent insurance broker in Australia and its sale to OAMPS in 2005.

Jonathan holds a Bachelor of Commerce and a Bachelor of Accounting (University of the Witwatersrand) and is a Chartered Accountant.



Michael Langtree
Executive Manager, Education

Michael is one of the founders, an executive director and CFO of BAWM, one of the Founding Companies of Vocation. He has a long history working in the VET and employment services sectors across private, government and not-for-profit organisations and brings an extensive knowledge of the VET sector and its regulatory systems to his role as Vocation's Executive Manager, Education.

Michael has held several senior management roles and has provided consultancy to RTOs over the last 10 years. Previous roles have included responsibility for contract management, RTO operational management, tender development, business performance and data management.

Michael holds a Certificate IV in Training and Assessment and a Diploma of Management.



Adjunct Professor Brett Whitford
Executive Manager

Brett is the founder and executive director of CSIA. He will oversee and manage the transition of CSIA's operations into Vocation.

CSIA was founded by Brett in 1997 to provide education, certification and recognition in customer service and under his management the business has grown into one of Australia's leading customer service accreditation and training organisations.

Brett served in the Royal Australian Air Force, enlisting in 1985. After his period of service, Brett worked in business publishing, establishing his first company Beaumont Publishing House in 1990 and Beaumont Publishing House (UK) Limited in 1994. He is the author of five business books on technology, best practice and customer service. In 2003, Brett co-authored a graduate unit entitled Strategic Customer Service Management for Deakin University.

Brett is an Adjunct Professor with the University of Technology Sydney in the Business School. He holds a number of vocational qualifications including a Diploma of Management and a Diploma of Business as well as a Certificate IV in Assessment and Workplace Training. He is a Fellow of the Customer Service Institute of Australia.

6.3 INTERESTS OF DIRECTORS AND SENIOR MANAGEMENT

6.3.1 Executive Director and Chief Executive Officer

Mark Hutchinson is employed by Vocation in the position of CEO. Mark will receive an annual fixed remuneration of \$400,000 (inclusive of superannuation). Mark will be eligible to participate in Vocation's short term incentive plan ("STIP") and Performance Rights Plan. He is eligible to receive a short-term incentive cash bonus equivalent to 30% of his base salary that is payable upon Vocation achieving its FY2014 forecast EBITA. For further details about Vocation's STIP and Performance Rights Plan refer to Section 9.7.2.

Vocation may terminate the employment contract in writing prior to 31 December 2016 by giving six months notice or payment in lieu of notice. After this date either party may terminate the employment contract on giving six months notice or, in Vocation's case, payment in lieu of notice. Vocation may terminate Mark's employment contract immediately and without payment for notice or payment in lieu of notice in the event of serious misconduct or other specified circumstances.

Upon the termination of Mark's employment, he will be subject to a maximum non-compete restraint period of 12 months or as specified in the relevant sale agreement, whichever is longer, and a non-solicitation period of 24 months. The enforceability of the restraint clause is subject to usual legal requirements.

SECTION 6: KEY PEOPLE, INTERESTS AND BENEFITS

6.3.2 Chief Financial Officer

Manvinder Gréwal is employed by Vocation in the position of CFO. Manvinder will receive an annual fixed remuneration of \$375,000 (inclusive of superannuation). Manvinder will also be eligible to participate in Vocation's STIP and Performance Rights Plan. He is eligible to receive a short-term incentive cash bonus equivalent to 30% of his base salary that is payable upon Vocation achieving its FY2014 forecast EBITA. In the inaugural grant under the Performance Rights Plan, the Company has issued Manvinder (holding through a nominee) rights to acquire 998,303 Shares prior to Listing, which are subject to escrow. Refer to Section 9.6 for further details.

Vocation may terminate the employment contract in writing prior to 31 December 2016 by giving six months notice or payment in lieu of notice. After this date either party may terminate the employment contract on giving six months notice or, in Vocation's case, payment in lieu of notice. Vocation may terminate Manvinder's employment contract immediately and without payment for notice or payment in lieu of notice in the event of serious misconduct or other specified circumstances.

Upon the termination of Manvinder's employment, he will be subject to a maximum non-compete restraint period of 12 months and a non-solicitation period of 24 months. The enforceability of the restraint clause is subject to usual legal requirements.

6.3.3 Chief Operating Officer

Wendy Bonnici is employed by Vocation in the position of COO. Wendy will receive an annual fixed remuneration of \$178,875 (inclusive of superannuation). Wendy will also be eligible to participate in Vocation's STIP and Performance Rights Plan, however Wendy does not have a short-term incentive for the Forecast Period.

Vocation may terminate the employment contract in writing prior to 31 December 2016 by giving six months notice or payment in lieu of notice. After this date either party may terminate the employment contract on giving six months notice or, in Vocation's case, payment in lieu of notice. Vocation may terminate Wendy's employment contract immediately and without payment for notice or payment in lieu of notice in the event of serious misconduct or other specified circumstances.

Upon the termination of Wendy's employment, she will be subject to a maximum non-compete restraint period of 12 months or as specified in the relevant sale agreement, whichever is longer, and a non-solicitation period of 24 months. The enforceability of the restraint clause is subject to usual legal requirements.

6.3.4 Other key management personnel

Vocation's other key management personnel are employed under individual executive service agreements.

Key components of these executive service agreements include:

- remuneration, which includes an annual remuneration package (including superannuation contributions and other non-cash benefits);

- eligibility to participate in Vocation's STIP and Performance Rights Plan; for further details, refer to Sections 9.7.1 and 9.7.2;
- for five other key management personnel, (in addition to the CEO, CFO and COO), Vocation may terminate the employment contract in writing prior to 31 December 2016 by giving six months notice or payment in lieu of notice. After this date either party may terminate the employment contract on giving six months notice or, in Vocation's case, payment in lieu of notice. Vocation may terminate the employment contract immediately and without payment in the event of serious misconduct or other specified circumstances with no notice period;
- for other key management personnel, either party may terminate the employment contract in writing prior to 31 December 2015 by giving six months notice or, in Vocation's case, payment in lieu of notice. After this date either party may terminate the employment contract on giving three months notice or, in Vocation's case, payment in lieu of notice;
- non-competition and non-solicitation undertakings by the employees in Australia and for a maximum period of 12 months following the termination of the relevant executive's employment; there is no restriction on an employee being a shareholder in a company whose shares are quoted on ASX and of which the employee holds less than 0.5% of the issued capital, even though that company may be engaged in a business similar to or in competition with Vocation;
- confidentiality provisions; and
- leave entitlements of four weeks' paid annual leave and 10 days paid personal leave per year of service, and long service leave in accordance with applicable legislation. On termination, the executives are entitled to be paid accrued annual leave and long service leave in accordance with applicable legislation.

6.3.5 Non-Executive Director remuneration

Under the Constitution, any increase in the total amount of Directors' remuneration must be approved by the Shareholders and, unless directed otherwise by the resolution approving the remuneration, the sum is to be divided among the Directors in any proportions as the Directors determine.

Under the ASX Listing Rules, the total amount paid to all Non-Executive Directors for their services must not exceed in aggregate in any financial year the amount fixed by Vocation's general meeting. This amount has currently been fixed by Vocation at \$1 million for each financial year. Annual Directors' fees currently agreed to be paid by Vocation are \$200,000 to the Chairman (John Dawkins), and \$100,000 to each of the other Non-Executive Directors, in each case inclusive of superannuation.

In addition, the chairs of the Nomination and Remuneration and Audit and Risk Committees will be paid \$20,000 annually. The remuneration of Directors must not include a commission on, or a percentage of, profits or operative revenue.

6.3.6 Directors' interests in Shares

Directors are not required by the Constitution to hold any Shares.

Director's interests in Shares and other securities in the Company upon Completion are set out below:

Directors	Shares held on Completion
John Dawkins AO	529,101
Mark Hutchinson	4,624,599
Steve Tucker	347,465
Michelle Tredenick	158,730
Doug Halley	158,730

Directors may hold their interest in Shares shown above directly, or through holdings by companies or trusts.

Directors are entitled to apply for Shares under the Offer.

Except as described in Section 6.3.7, each of the Shares recorded in the above table as held by John Dawkins, Michelle Tredenick, Doug Halley and 158,730 Shares held by Steve Tucker (or their nominee companies or trusts) (the Non-Executive Director Shareholders) will be issued to the Non-Executive Director Shareholders by Vocation for nil consideration and on exercise of the rights issued to the respective Non-Executive Director Shareholders under the Performance Rights Plan.

Except as described in Section 6.3.7, each of the Shares recorded in the above table will be subject to voluntary escrow restrictions on substantially the same terms as the restriction deeds described in Section 9.6 (including the application of a holding lock).

6.3.7 Other interests of Directors

Immediately prior to completion of the Merger, Innisfree Australia Pty Limited, a company associated with John Dawkins, will be paid a fee by CSIA in cash of \$1.2 million in relation to past business activities in connection with CSIA. Immediately prior to completion of the Merger, Steve Tucker will receive a transfer of 287,964 AVANA shares from Mark Hutchinson for past services rendered to AVANA; on completion of the Merger, these AVANA shares will be exchanged for Shares which are expected to have a value of approximately \$300,000. On completion of the Merger, Steve Tucker will also receive Shares in his capacity as a Vendor Founder of AVANA. None of these Shares will be subject to the voluntary Escrow Arrangements outlined in Section 9.6.

6.3.8 Deeds of access, indemnity and insurance for Directors

Vocation has entered into deeds of access, insurance and indemnity with each Director, which contain rights of access to certain books and records of Vocation for a period of seven years after the Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

In respect of the indemnity of the Directors, Vocation is required, pursuant to the Constitution, to indemnify all Directors and other Officers, past and present, against all

liabilities allowed under law. Under the deed of access, insurance and indemnity, Vocation indemnifies parties against all liabilities to another person that may arise from their position as an officer of Vocation or its subsidiaries to the extent permitted by law. The deed stipulates that Vocation will meet the full amount of any such liabilities, including reasonable legal costs and expenses.

In respect of insurance being obtained on behalf of the Directors, Vocation may arrange and maintain directors' and officers' insurance for its Directors and Officers to the extent permitted by law. Under the deeds of access, insurance and indemnity, Vocation must obtain such insurance during each Director's period of office and for a period of seven years after a Director ceases to hold office. This seven year period can be extended where certain proceedings or investigations commence before the seven year period expires.

6.3.9 Other information

Directors may also be reimbursed for travel and other expenses incurred in attending to Vocation's affairs.

Non-Executive Directors may be paid such additional or special remuneration as the Directors decide is appropriate where a Director performs extra work or services.

There are no retirement benefit schemes for Directors, other than statutory superannuation contributions.

6.4 CORPORATE GOVERNANCE

The Board is responsible for the overall corporate governance of Vocation, including adopting the appropriate policies and procedures designed to ensure that Vocation is properly managed to protect and enhance shareholder interests and that Directors, Vocation's management and employees fulfil their functions effectively and responsibly. The Board has created a framework for managing Vocation including adopting relevant internal controls and a risk management process which it believes are appropriate for Vocation's business.

The main corporate policies and practices adopted by Vocation, some of which will take effect from Listing, are summarised below. In addition, many governance elements are contained in the Constitution.

The Board, in establishing its corporate governance principles, has had regard to the ASX Corporate Governance Principles and Recommendations. These principles and recommendations set out recommended corporate governance practices for entities listed on ASX that, in the ASX Corporate Governance Council's view, are likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. Following Listing, Vocation will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period and its reasons for not doing so.

The Board does not anticipate that it will depart from the recommendations set out in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. However, it may do so in the future if it considers that such departure would be reasonable in the circumstances.

There are current proposals to amend the ASX Corporate Governance Council's Corporate Governance Principles

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SECTION 6: KEY PEOPLE, INTERESTS AND BENEFITS

and Recommendations to take effect for an entity's first full financial year commencing on or after 1 July 2014. The Board will review Vocation's policies should the proposals come into effect and consider their application to Vocation.

Vocation's charters, codes and corporate governance policies expressly referred to in this Section 6.5 are available free of charge upon request to the Company Secretary.

6.4.1 Board appointment and composition

The Board is currently made up of five Directors, four of whom are Non-Executive Directors. The Board has determined that all of the Non-Executive Directors are independent. The Board consists of a majority of independent Directors, with an independent Chairman (as recommended by Recommendations 2.1, 2.2 and 2.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations).

Figure 6.4.1.1 provides information regarding the Directors, such as their position, date of joining the Board and experience.

Figure 6.4.1.1: Composition of the Board of Directors

Name	Position	Joined Board	Experience (years) / Industry	Independence
John Dawkins AO	Non-Executive Chairman	2013	45 / Parliament, Government, private and public sector adviser	Independent
Mark Hutchinson	Executive Director and CEO	2013	11 / Education and Training	Non-independent
Steve Tucker	Non-Executive Director	2013	25 / Insurance and Superannuation	Independent
Michelle Tredenick	Non-Executive Director	2013	32 / Banking and Financial Services	Independent
Doug Halley	Non-Executive Director	2013	45 / Accounting, Finance and General Management	Independent

The Board considers an independent Director to be a Non-Executive Director who is not a member of Vocation's management and who is free of any interest, position, association or relationship that might influence or reasonably be perceived to influence his or her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of Vocation and its shareholders generally. The Board will consider the materiality of any given relationship on a case by case basis and has adopted materiality guidelines to assist it in this regard. The Board reviews the independence of each Director in light of interests disclosed to the Board from time to time.

The Board is structured such that it comprises Directors from a variety of business and professional backgrounds who bring a range of commercial, operational and financial skills and experience relevant to Vocation and the industry in which it operates. The Board considers that the current Board composition has a proper understanding of, and competence to deal with, the current and emerging issues of the business of Vocation, and can effectively review and challenge the performance of management and exercise independent judgement on relevant issues.

6.4.2 Board charter and responsibilities

The Board is responsible for the overall corporate governance of Vocation. This includes setting the strategic objectives of Vocation, overseeing management's implementation of those strategic objectives and ensuring Vocation has in place an appropriate risk management framework.

The Board has adopted a charter to set out its responsibilities and provide a framework for its effective operation.

The Board's role and responsibilities, as set out in its charter, include:

- enhancing Shareholder value;
- overseeing Vocation, including its control and accountability systems;
- appointing the CEO and review succession planning;
- approving corporate strategy and goals and review performance against those goals;
- monitoring the integrity and consistency of management's control of risk; and
- approving and monitoring financial and other reporting.

A copy of the current Board charter is available on Vocation's website at www.vocation.com.au.

The Board delegates management of Vocation's resources to the senior management team, under the leadership of the CEO, to deliver the strategic direction and goals determined by the Board.

Directors are provided direct access to, and may rely upon, senior management and outside advisers and auditors. Board committees and individual Directors may seek independent professional advice at Vocation's expense in the performance of their duties.

6.4.3 Board committees

The Board discharges its duties in relation to certain specific functions through the following committees of the Board:

- Audit and Risk Committee; and
- Nomination and Remuneration Committee.

The Board retains ultimate accountability to Shareholders in discharging its duties.

The Board has charters for each of its committees. The Board committee charters may be viewed on the Vocation website at www.vocation.com.au.

Audit and Risk Committee

The primary functions of the Audit and Risk Committee are:

- overseeing the process of financial reporting, internal control, financial and non-financial risk management and compliance and external audit;
- monitoring Vocation's compliance with laws, regulations and licensing;
- encouraging effective relationships with, and communication between, the Board, management and Vocation's external auditor; and
- evaluating the adequacy of processes and controls established to identify and manage areas of potential risk and to seek to safeguard Vocation's assets.

The committee consists of four Non-Executive Directors. The members of the committee are:

- Doug Halley (Chair of Audit and Risk Committee);
- John Dawkins;
- Michelle Tredenick; and
- Steve Tucker.

The committee's charter provides that the committee will comprise all Non-Executive Directors, a majority of whom will be independent, and that the chair will be an independent Director who is not Chairman of the Board.

Members of management and the external auditor may attend meetings of the committee by invitation. The committee may also have access to financial and legal advisers, in accordance with the Board's general policy.

Vocation has a policy that its external auditing firm must be independent. The committee will review and assess the independence of the external auditor on an annual basis.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for matters relating to succession planning, recruitment and the appointment and remuneration of the Directors and the CEO, overseeing succession planning, selection and appointment practices and remuneration packages for management and employees of Vocation.

The objectives of the committee include to:

- review, assess and make recommendations to the Board on the desirable competencies of the Board and its committees;

- assess the performance of the Board, its committees and individual Directors;
- oversee the selection and appointment practices for Directors and Vocation's senior management;
- develop succession plans for the Board and oversee the development of succession planning in relation to management; and
- assist the Board in determining appropriate remuneration policies (including short and long-term incentive plans for the CEO).

In making recommendations to the Board regarding the appointment of Directors, the committee is to periodically assess the appropriate mix of skills, experience and expertise required on the Board, and assess the extent to which the required skills and experience are represented on the Board.

The committee may obtain information from, and consult with, management and external advisers, as it considers appropriate.

The committee consists of four Non-Executive Directors. The committee's charter provides that the majority of the committee members will be independent Directors. The members of the committee are:

- Michelle Tredenick (Chair of Nomination and Remuneration Committee);
- John Dawkins;
- Doug Halley; and
- Steve Tucker.

6.4.4 Corporate governance policies

The Board has adopted the following corporate governance policies, each of which has been prepared having regard to the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, which are available on Vocation's website at www.vocation.com.au.

The Board may periodically review and amend the terms of these policies.

Code of conduct

The Board acknowledges the need for Directors, executives and employees to observe high standards of corporate practice and business conduct. Accordingly, the Board has adopted a formal code of conduct to be followed by all employees and Officers.

The code of conduct encourages all employees and other stakeholders to report any breaches of the code, and seeks to protect the anonymity of the reporter.

In addition, the Code of Conduct requires Vocation to maintain an environment that takes into account the social, ethical and environmental consequences of the company's activities. Employees of Vocation are required to comply with all appropriate laws and internal regulations in respect of the social, ethical and environmental practices of Vocation.

SECTION 6: KEY PEOPLE, INTERESTS AND BENEFITS

Risk management policy

The identification and proper management of Vocation's risks are an important priority of the Board. The Board establishes the policies for the oversight and management of material business risks and internal controls. For this purpose, it has adopted a risk management policy.

This policy is designed to assist Vocation to identify, monitor, measure and manage the risks relevant to Vocation's operations.

Continuous disclosure policy

Following Listing, Vocation will be subject to the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act. Vocation will be required to disclose to ASX any information concerning Vocation which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of Vocation's securities (subject to applicable exceptions) ("Material Information").

Vocation will not release Material Information to any other person until it has given the information to ASX and received an acknowledgement that ASX has released the information to the market.

Vocation is also committed to keeping Shareholders informed of all major developments affecting the Company's state of affairs relevant to Shareholders in accordance with all applicable laws. Information will be communicated to Shareholders through the lodgement of all relevant financial and other information with ASX and through publishing information on Vocation's website (www.vocation.com.au). In particular, Vocation's website will contain information about Vocation, including media releases, key policies and the charters for the Board committees. All relevant announcements made to the market and any other relevant information will be posted on Vocation's website soon after it has been released to ASX.

The continuous disclosure policy sets out protocols and procedures to ensure that Vocation complies with its continuous disclosure obligations and effectively communicates with Shareholders.

Share trading policy

Vocation has adopted guidelines to take effect from Listing for dealing in Shares which are intended to explain the prohibited conduct in relation to dealings in Shares under the Corporations Act and to establish a procedure in relation to dealings in Shares by Directors, senior management (which includes Executive Managers and general managers, and their associates) and all other employees.

Subject to the overriding restriction that no person may deal in Shares while they are in possession of material price sensitive information, Directors and senior employees will only be permitted to deal in Shares during certain 'window periods', such as the 30 day period following the release of Vocation's full and half year financial results or the release of a disclosure document offering Shares. In addition, Directors and senior employees are prohibited from dealing in Vocation Shares during certain 'blackout periods' including the period from the end of a half-year to the release of Vocation's half-year results and the period from the end of a financial year to the release of Vocation's annual results.

Outside of the 'window periods' and the 'blackout periods' Directors and senior employees must receive clearance for any proposed dealing in Shares.

Diversity policy

Vocation is committed to providing an environment in which all employees are treated with fairness and respect and have equal access to workplace opportunities. For this purpose, Vocation has adopted a diversity policy. The Board is responsible for developing measurable objectives for achieving gender diversity in its business. In its annual report, Vocation will disclose its measurable objectives for achieving gender diversity, Vocation's progress towards achieving these measurable objectives and will also disclose the proportion of women employees in the whole organisation, at senior executive level and on the board.

Corporate Social Responsibility

Vocation will strive to undertake its business in ways that appropriately balance financial, social and environmental considerations. The Board has adopted a corporate social responsibility statement which confirms the Company's commitment to this objective.

6.4.5 ASX Corporate Governance Council's Corporate Governance Principles and Recommendations

The ASX Corporate Governance Council has developed and released corporate governance recommendations for Australian listed entities in order to promote investor confidence and to assist companies to meet stakeholder expectations. The recommendations are not prescriptions, but guidelines. However, under the ASX Listing Rules, Vocation will be required to provide a statement in its annual report disclosing the extent to which it has followed the recommendations in the reporting period. Where Vocation does not follow a recommendation, it must identify the recommendation that has not been followed and give reasons for not following it.

The Board does not anticipate that it will depart from the recommendations of the ASX Corporate Governance Council. However, it may do so in the future if it considers that such departure would be reasonable in the circumstances.

SECTION 7

Details of the Offer

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Chinese Perceptions of other Countries

Below are some quotes taken from GfK Bluemoon's research on the perceptions that Chinese travellers have of other countries.

- "The USA is a strong country. I just want to see why it is the strongest country... The culture is totally different (to ours)."
- "The UK has a long history... I like it's royal family, royal culture, church, Buckingham Palace. And I want to see English gentlemen. They are a developed country but still conservative."
- "France is elegant, romantic - Paris is the city of love! It's a paradise for shopping. I want very much to buy those luxury goods."



The UK has a long history with the Royal Family and Royal Culture. Development and high innovation.



SECTION 7: DETAILS OF THE OFFER

7.1 DESCRIPTION OF THE OFFER

The Offer comprises the issue of Shares by Vocation and the transfer of Existing Shares by SaleCo. A description of the role of SaleCo in the Offer is set out in Section 9.5.

In total, 134.0 million Shares are being offered under the Broker Firm Offer, the Priority Offer and the Institutional Offer. All Shares will be issued or transferred at the Offer Price.

In addition, Vocation will issue Founder Shares to the Vendor Founders, some Founder Shares will be retained by the BAWM Founders (see Section 9.5 for further details) and some Shares will be issued to (or for the benefit of) the Chairman, Non-executive Directors and the CFO under the Performance Rights Plan (see Section 9.7.2 for further details).

The total number of Shares on issue at Completion of the Offer will be 200.0 million and all Shares will rank equally with each other.

No general public offer will be made. The allocation of Shares between the Broker Firm Offer, the Priority Offer and the Institutional Offer was determined by the Joint Lead Managers, Vocation and SaleCo, having regard to the allocation policies outlined in Sections 7.9.5, 7.9.7 and 7.10.2.

The Offer has been fully underwritten by the Joint Lead Managers, Macquarie Capital and UBS.

7.1.1 Purpose of the Offer

The purpose of the Offer is:

- to provide liquidity for the Founders and an opportunity for others to invest in Shares;
- to provide the Vocation business with the benefits of an increased profile that arises from being a listed entity; and
- to provide Vocation with access to the capital markets to enhance its ability to pursue growth opportunities.

7.1.2 Offer proceeds

The Offer is expected to raise approximately \$142.6 million for Vocation and \$110.7 million for SaleCo. The proceeds received by SaleCo (less agreed deductions for Offer costs) will be paid to the BAWM Founders (who will sell Existing Shares to SaleCo). Proceeds received by Vocation for the issue of Shares will provide Vocation with funds:

- to pay costs of the Offer;
- for additional working capital; and
- to pay consideration to the Vendor Founders for the acquisition of the Vendor Founding Companies.

7.1.3 Sources and uses of funds

	(\$ million)
Sources of funds	
Issue of Shares	142.6
Transfer of Existing Shares	110.7
Total sources	253.3
Uses of funds	
Payment to Vendor Founders by Vocation	122.6
Payment to the BAWM Founders by SaleCo	102.7
Payment to reimburse Vendor Founders and BAWM Founders for costs of the Offer incurred by them	1.6
Payment of remaining costs of the Offer	16.4
Increase in cash and cash equivalents	10.0
Total uses	253.3

Sources of funds

The amount of \$253.3 million in respect of cash proceeds received for Shares under the Broker Firm Offer, the Priority Offer and the Institutional Offer represents the cash that Vocation and SaleCo expect to receive on Completion of the Offer (134.0 million Shares at the Offer Price of \$1.89 per Share).

Uses of funds

Uses of the proceeds of the Offer include:

- \$122.6 million to the Vendor Founders as consideration for the acquisition of the Vendor Founding Companies;
- \$102.7 million to SaleCo (and from SaleCo to the BAWM Founders) as consideration for the transfer of Existing Shares by SaleCo (representing 58.6 million Shares multiplied by the Offer Price less agreed deductions for Offer costs);
- \$1.6 million to the Vendor Founders and BAWM Founders as reimbursement for certain transaction costs of the Offer previously incurred by these parties;
- \$16.4 million in respect of the remaining cash costs of the Offer (comprising estimates of fees payable to legal, accounting and tax advisers and to the Joint Lead Managers under the Underwriting Agreement, with the remaining being for other estimated costs of the Offer including Prospectus design, advertising, marketing and administrative fees and Share Registry expenses); and
- \$10.0 million increase in cash and cash equivalents to provide working capital for the Company.

The amounts referred to under the heading "Uses of funds" are estimates. To the extent that these amounts decrease or increase, the pro forma cash balance for Vocation will increase or decrease by a corresponding amount.

7.2 VENDOR FOUNDER OFFER

This Prospectus incorporates an offer of Shares by the Company to those Vendor Founders who are holders of securities in one or more of AVANA Group Pty Ltd, Customer Service Institute of Australia Pty Ltd, CSIA Education Services Pty Ltd and Student Hub Pty Ltd (together, "Target Entities").

Under the terms of each Option Deed referred to in Section 9.4.2 of this Prospectus (other than the Option Deed in respect of Aspin), if the put option or call option is exercised, the Company has agreed to issue Shares to those Vendor Founders who are holders of securities in one or more of the Target Entities. To apply for Shares under this Prospectus, each such Vendor Founder must complete the 'Vendor Founder Application Form'. The offer to each such Vendor Founder opens on the Opening Date and closes on the Business Day prior to the Completion Date (as that term is defined in the Option Deed to which the Vendor Founder is a party). It is conditional on the put option or the call option being exercised, and Completion occurring under the Option Deed to which the Vendor Founder is a party and is otherwise made on the terms set out in the Option Deed to which the Vendor Founder is a party. The number of Shares offered to each such Vendor Founder is determined in accordance with the Option Deed to which the Vendor Founder is a party.

7.3 PRO FORMA BALANCE SHEET

Vocation's pro forma balance sheet following Completion of the Offer, including details of the pro forma adjustments, is set out in Section 4.4.

7.4 CAPITAL STRUCTURE

Vocation's indebtedness and capitalisation as at 30 June 2013, before and following Completion of the Offer, is set out in Section 4.4.2.

7.8 TERMS AND CONDITIONS OF THE OFFER

Topic	Summary
What is the type of security being offered?	Shares (being fully paid ordinary shares in Vocation).
What are the rights and liabilities attached to the security being offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in Section 9.8.
What is the consideration payable for each security being offered?	The Offer Price is \$1.89 per Share.
What is the Offer Period?	The key dates, including details of the Offer Period, are set out on page 2. No Shares will be issued on the basis of this Prospectus later than the Expiry Date.
What are the cash proceeds to be raised?	\$142.6 million will be raised by Vocation through the Offer. \$110.7 million will be raised by SaleCo through the Offer. The proceeds received by SaleCo (less agreed deductions for Offer costs) will be paid to the BAWM Founders, who will sell Existing Shares to SaleCo.

7.5 SHAREHOLDERS

The details of the ownership of Shares upon Listing are set out below:

Figure 7.7.1: Ownership of Vocation following Completion of the Offer

	Shares (million)	%
Executive Founders (subject to escrow) ¹	37.0	18.5%
Certain Vendor Founders ² , Directors, Vocation's management and employees (subject to escrow) ¹	24.8	12.4%
Certain Vendor Founders ² , Directors, Vocation's management and employees (not subject to escrow)	4.2	2.1%
Shareholders pursuant to the Offer	134.0	67.0%
Total	200.0	100.0%

1. See Section 9.6 for further information on voluntary Escrow Arrangements.
2. Excludes Executive Founders.

7.6 CONTROL IMPLICATIONS OF THE OFFER

The Board does not expect any Shareholder to have a controlling interest in Vocation immediately after Listing.

7.7 POTENTIAL EFFECT OF THE OFFER ON THE FUTURE OF VOCATION

The Board of Directors believes that on Completion of the Offer, Vocation will have sufficient funds available from the cash proceeds of the Offer, Vocation's operations and the New Banking Facility to meet Vocation's stated business objectives.

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SECTION 7: DETAILS OF THE OFFER

Topic	Summary
What is the minimum and maximum application size under the Broker Firm Offer and the Priority Offer?	<p>The minimum Application under the Broker Firm Offer is \$2,000, and in multiples of \$500 thereafter, as directed by the Applicant's Broker.</p> <p>The Joint Lead Managers, in consultation with Vocation and SaleCo, reserve the right to reject any Application or to allocate a lesser number of Shares than that applied for.</p> <p>There is no maximum value of Shares that may be applied for under the Broker Firm Offer.</p> <p>The minimum application under the Priority Offer is \$2,000 worth of Shares and in multiples of \$500 worth of Shares thereafter. Under the Priority Offer, Applicants are able to apply for Shares up to the value provided on their personalised invitation.</p>
What is the allocation policy?	<p>The allocation of Shares between the Broker Firm Offer and the Institutional Offer was determined by the Joint Lead Managers, Vocation and SaleCo, having regard to the allocation policy outlined in Sections 7.9.5, 7.9.7 and 7.10.2.</p> <p>With respect to the Broker Firm Offer, it is a matter for the Brokers how they allocate firm stock among their eligible retail clients.</p> <p>With respect to the Priority Offer, it is at the absolute discretion of Vocation, provided that those allocations (in aggregate) do not exceed 1,158,201 Shares.</p> <p>The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers, in consultation with Vocation and SaleCo.</p> <p>The Broker Firm Offer, the Priority Offer and the Institutional Offer are not open to investors in the United States.</p> <p>For further information on the Broker Firm Offer and the Priority Offer, see Section 7.9.</p> <p>For further information on the Institutional Offer, see Section 7.10.</p>
Will the Shares be quoted?	<p>Vocation has applied for quotation of the Shares on ASX under the code "VET". Completion of the Offer is conditional on ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.</p>
When are the Shares expected to commence trading?	<p>It is expected that trading of the Shares on ASX will commence on or about 9 December 2013, initially on an unconditional but deferred settlement basis until Vocation has advised ASX that holding statements have been despatched to Shareholders. Normal settlement trading is expected to commence on or about 11 December 2013.</p> <p>It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Vocation and SaleCo, the Share Registry, the Joint Lead Managers and the existing Shareholders disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them, by the Vocation Offer Information Line, by a Broker or otherwise.</p>
Is the Offer underwritten?	<p>Yes. The Joint Lead Managers have fully underwritten the Offer. Details are provided in Section 9.14.</p>
Are there any escrow arrangements?	<p>Yes. Details are provided in Section 9.6.</p>
Has any ASIC relief or ASX waiver been obtained or applied for?	<p>Vocation has applied for ASX confirmation and waivers. Details are provided in Section 9.12. No ASIC relief has been obtained or sought.</p>
Are there any taxation considerations?	<p>Refer to Section 9.10.</p>
Are there any brokerage, commission or stamp duty considerations?	<p>No brokerage, commission or stamp duty is payable by applicants on acquisition of Shares under the Offer.</p>
What should you do with any enquiries?	<p>Call the Vocation Offer Information Line on (+61) 1800 285 677 from 8.30am to 5.30pm (Sydney Time) Monday to Friday (Business Days only).</p> <p>If you are unclear in relation to any matter or are uncertain as to whether Vocation is a suitable investment for you, you should consider seeking professional guidance from your stockbroker, lawyer, accountant, financial adviser, or other independent professional adviser before deciding whether to invest in Shares.</p>

7.9 THE BROKER FIRM OFFER AND THE PRIORITY OFFER

7.9.1 Who can apply in the Broker Firm Offer

The Broker Firm Offer is open to Australian resident retail investors who have received a firm allocation from their Broker and who have a registered address in Australia. If you have been offered a firm allocation by a Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

7.9.2 How to apply for Shares under the Broker Firm Offer

If you have received an allocation of Shares from your Broker and wish to apply for Shares under the Broker Firm Offer, you should contact your Broker for information about how to submit your Application Form and for payment instructions. Applicants under the Broker Firm Offer must not send their Application Form to the Share Registry.

Applicants under the Broker Firm offer may contact their Broker or the Vocation Offer Information Line on (+61) 1800 285 677 to request a Prospectus and Application Form, or download a copy at www.vocationshareoffer.com.au. Your Broker will act as your agent and it is your Broker's responsibility to ensure that your Application Form and Application Monies are received before 5.30pm (Sydney Time) on Wednesday, 4 December 2013 or any earlier closing date as determined by your Broker.

If you are an investor applying under the Broker Firm Offer, you should complete and lodge your Application Form with the Broker from whom you received your firm allocation. Application Forms for the Broker Firm Offer must be completed in accordance with the instructions given to you by your Broker and the instructions set out on the reverse of the Application Form.

By making an Application, you declare that you were given access to the Prospectus, together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

If you apply in the Broker Firm Offer, you must apply for a minimum value of \$2,000 worth of Shares and in multiples of \$500 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. However, Vocation, SaleCo and the Joint Lead Managers reserve the right to reject or scale back any Applications in the Broker Firm Offer. Vocation, SaleCo and the Joint Lead Managers also reserve the right to aggregate any Applications which they believe may be multiple Applications from the same person. Vocation may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens at 2.00pm Sydney Time on Wednesday, 27 November 2013 and is expected to close at 5.30pm Sydney Time on Wednesday, 4 December 2013. Vocation and the Joint Lead Managers may elect to close the Offer or any part of it early, extend the Offer or any part of it, or accept late Applications either generally or in particular cases. The Offer or any part of it may be closed at any earlier time and date, without further notice. Your Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Contact your Broker for instructions.

7.9.3 Application Monies

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions from their Broker.

7.9.4 Acceptance of Applications

An Application in the Broker Firm Offer is an offer by the applicant to Vocation and SaleCo to subscribe for or purchase Shares for all or any of the Application amount specified in and accompanying the Application Form at the Offer Price on the terms and conditions set out in this Prospectus including any supplementary or replacement prospectus and the Application Form. To the extent permitted by law, an Application is irrevocable.

An Application may be accepted by Vocation, SaleCo and the Joint Lead Managers in respect of the full number of Shares specified in the Application Form or any lower amount than that specified in the Application Form, without further notice to the applicant. Acceptance of an Application will give rise to a binding contract.

The Joint Lead Managers, Vocation and SaleCo reserve the right to reject any Application which is not correctly completed or which is submitted by a person who they believe is ineligible to participate in the Broker Firm Offer, or to waive or correct any errors made by the Applicant in completing their Application.

Successful Applicants under the Broker Firm Offer will be issued Shares at the Offer Price of \$1.89 per Share.

7.9.5 Allocation policy under the Broker Firm Offer

Shares which have been allocated to Brokers for allocation to their Australian resident retail clients will be issued to the applicants nominated by those Brokers. It will be a matter for the Brokers as to how they allocate firm stock among their eligible retail clients, and they (and not Vocation, SaleCo and the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares.

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SECTION 7: DETAILS OF THE OFFER

7.9.6 Announcement of final allocation policy in the Broker Firm Offer

To assist applicants in determining their allocation prior to receipt of a holding statement, Vocation expects to announce the final allocation policy and basis for allocations under the Broker Firm Offer in various newspapers on or about 6 December 2013. Applicants in the Broker Firm Offer should confirm their firm allocation with the Broker from whom they received their allocation. They may also call the Vocation Offer Information Line on (+61) 1800 285 677 from 8.30am to 5.30pm (Sydney Time) Monday to Friday (Business Days only) to confirm their allocations.

If you sell Shares before receiving a holding statement, you do so at your own risk, even if you have confirmed your firm allocation with your Broker or obtained details of your holding from the Vocation Offer Information Line.

7.9.7 The Priority Offer

Under the Priority Offer, eligible investors nominated by Vocation are able to apply for Shares up to the value provided on their personalised invitation. Applications must be for a minimum of \$2,000 worth of Shares and in multiples of \$500 worth of Shares after that. Shares must be paid for by following the instructions on each personalised invitation. It is the responsibility of each Applicant under the Priority Offer to ensure payments are received by 5.30pm Sydney Time on Wednesday, 4 December 2013.

Allocations under the Priority Offer will be at the absolute discretion of Vocation, provided that those allocations (in aggregate) do not exceed 1,158,201 Shares. An amount applied for in excess of the amount allocated to each Applicant, will be refunded in full (without interest). No refunds will be made where the overpayments relate solely to rounding at the Offer Price.

7.10 THE INSTITUTIONAL OFFER

7.10.1 Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to apply for Shares. The Joint Lead Managers have separately advised Institutional Investors of the application procedures for the Institutional Offer.

7.10.2 Allocation policy under the Institutional Offer

The allocation of Shares among Applicants in the Institutional Offer was determined by the Joint Lead Managers, Vocation and SaleCo. The Joint Lead Managers, in consultation with Vocation and SaleCo, had absolute discretion regarding the basis of allocation of Shares among Institutional Investors, and there was no assurance that any Institutional Investor would be allocated any Shares, or the number of Shares for which it bid. The allocation policy was influenced by the following factors:

- the number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;

- Vocation's desire for an informed and active trading market following listing on ASX;
- Vocation's desire to establish a wide spread of institutional shareholders;
- the overall level of demand under the Broker Firm Offer, the Priority Offer and the Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders would be long-term shareholders; and
- any other factors that Vocation, SaleCo and the Joint Lead Managers considered appropriate.

7.11 UNDERWRITING ARRANGEMENTS

The Offer is fully underwritten. The Joint Lead Managers, Vocation and SaleCo have entered into an Underwriting Agreement under which the Joint Lead Managers have been appointed as arrangers, managers and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite severally Applications for all Shares under the Offer in equal proportions. The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in Section 9.14.

7.12 DISCRETION REGARDING THE OFFER

Vocation and SaleCo may withdraw the Offer at any time before the issue or transfer of Shares to successful Applicants or bidders in the Broker Firm Offer, the Priority Offer and the Institutional Offer. If the Offer, or any part of it, does not proceed, all relevant Application Monies will be refunded (without interest).

Vocation, SaleCo and the Joint Lead Managers also reserve the right to close the Offer or any part of it early, extend the Offer or any part of it, accept late Applications or bids either generally or in particular cases, reject any Application or bid, or allocate to any Applicant or bidder fewer Shares than applied or bid for.

7.13 ASX LISTING, REGISTERS AND HOLDING STATEMENTS, AND DEFERRED SETTLEMENT TRADING

7.13.1 Application to ASX for listing of the Company and quotation of Shares

Vocation has applied for listing of the Company and quotation of the Shares on ASX. Vocation's expected ASX code will be "VET".

ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that ASX may admit Vocation to the Official List is not to be taken as an indication of the merits of Vocation or the Shares offered for subscription.

If Listing is not granted within three months after the Prospectus Date (or any later date permitted by law), all Application Monies received by Vocation will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

Subject to certain conditions (including any waivers obtained by Vocation from time to time), Vocation will be required to comply with ASX Listing Rules.

7.13.2 CHESS and issuer sponsored holdings

Vocation will apply to participate in ASX's Clearing House Electronic Subregister System ("CHESS") and will comply with the ASX Listing Rules and the ASX Settlement Operating Rules. CHESS is an electronic transfer and settlement system for transactions in securities quoted on ASX under which transfers are effected in an electronic form.

When the Shares become approved financial products (as defined in the ASX Settlement Operating Rules), holdings will be registered in one of two subregisters, an electronic CHESS subregister or an issuer sponsored subregister. For all successful Applicants, the Shares of a Shareholder who is a participant in CHESS or a Shareholder sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Shares will be registered on the issuer sponsored subregister.

Following Completion of the Offer, Shareholders will be sent a holding statement that sets out the number of Shares that have been allocated to them. This statement will also provide details of a Shareholder's Holder Identification Number ("HIN") for CHESS holders or, where applicable, the Securityholder Reference Number ("SRN") of issuer sponsored holders. Shareholders will subsequently receive statements showing any changes to their shareholding. Certificates will not be issued.

Shareholders will receive subsequent statements at the end of each month if there has been a change to their holding on the register and as otherwise required under ASX Listing Rules and the Corporations Act. Additional statements may be requested at any other time either directly through the Shareholder's sponsoring broker in the case of a holding on the CHESS subregister or through the Share Registry in the case of a holding on the issuer sponsored subregister. Vocation and the Share Registry may charge a fee for these additional issuer sponsored statements.

7.13.3 Unconditional but deferred settlement trading and selling Shares on market

It is expected that trading of the Shares on ASX (on an unconditional but deferred basis) will commence on or about 9 December 2013.

Trading will continue on an unconditional but deferred settlement basis until Vocation has advised ASX that holding statements have been despatched to Shareholders. Normal settlement trading is expected to commence on or about 11 December 2013.

If Settlement has not occurred within 14 days (or such longer period as ASX allows) after the day Shares are first quoted on ASX, the Offer and all contracts arising on

acceptance of the Offer will be cancelled and of no further effect, and all Application Monies will be refunded (without interest).

It is the responsibility of each person who trades in Shares to confirm their holding before trading in Shares. If you sell Shares before receiving a holding statement, you do so at your own risk. Vocation, the Share Registry, the Joint Lead Managers, SaleCo and the Founders disclaim all liability, whether in negligence or otherwise, if you sell Shares before receiving your holding statement, even if you obtained details of your holding from the Vocation Offer Information Line or confirmed your firm allocation through a Broker.

7.14 DESCRIPTION OF SHARES

Refer to Section 9.8 for an outline of the Constitution and rights attached to Shares.

SECTION 8

Investigating Accountant's Report

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The Directors
Vocation Limited
Ground Floor
31 Chessel Street,
South Melbourne VIC 3205

The Directors
A.C.N. 166 629 063 Pty Ltd
Ground Floor
31 Chessel Street,
South Melbourne VIC 3205

15 November 2013

Dear Directors

Investigating Accountant's Report

Independent Limited Assurance Report on Vocation Limited Historical and Forecast Financial Information and Financial Services Guide

We have been engaged by Vocation Limited (the **Company**) and A.C.N. 166 629 063 Pty Ltd (**SaleCo**) to report on the historical and forecast financial information of the Company for inclusion in a prospectus dated on or about 15 November 2013 (the **Prospectus**) and relating to the issue of shares in the proposed initial public offering and listing of the Company on the Australian Securities Exchange (**Listing**), where SaleCo will transfer shares and the Company will issue new shares in the Company under the Prospectus (the **Offer**).

Expressions and terms defined in the Prospectus have the same meaning in this report.

The nature of this report is such that it can only be issued by an entity which holds an Australian financial services licence under the Corporations Act 2001. PricewaterhouseCoopers Securities Ltd, which is wholly owned by PricewaterhouseCoopers holds the appropriate Australian financial services licence under the Corporations Act 2001. This report is both an Investigating Accountant's Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

Historical Financial Information

The Company and SaleCo have requested PricewaterhouseCoopers Securities Ltd to review the following historical financial information of the Company (the responsible party), the Founding Companies and the Ancillary Businesses, included in the Prospectus:

- pro forma consolidated historical income statements for FY2011, FY2012 and FY2013 (**Pro forma Historical Results**);

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SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT



- reconciliation to the statutory consolidated historical income statements for FY2011, FY2012 and FY2013 (**Statutory Historical Results**);
- pro forma consolidated historical cash flow statements for FY2011, FY2012 and FY2013 (**Pro forma Historical Cash Flows**);
- reconciliation to the statutory consolidated historical cash flow statements for FY2012 and FY2013 (**Statutory Historical Cash Flows**); and
- pro forma consolidated balance sheet as at 30 June 2013 which assumes completion of the proposed Offer (**Pro forma Balance Sheet**).

(collectively the **Historical Financial Information**)

There are no actual historical consolidated financial results for the Company. The Pro forma Historical Results and Pro forma Historical Cash Flows presented in the Prospectus reflects a pro forma consolidation of the Founding Companies and the Ancillary Businesses that will comprise the Company from Listing, and hence assumes completion of both the Merger and Listing.

The Pro forma Historical Results and Pro forma Historical Cash Flows have been derived from the historical financial information of Bawm Pty Ltd, after adjusting for the pro forma impact of the Merger as set out in Section 4 of the Prospectus, for which information has been extracted from audited financial statements or unaudited financial statements, other adjustments to reflect the Company's operations following the Completion of the Offer and to eliminate non-recurring items as set out in Section 4.3.2 and 4.5.1. The FY2011 and FY2012 audited statutory historical financial statements for BAWM Pty Ltd have been audited by Mitchell Wilson in accordance with Australian Auditing Standards, who issued unqualified audit opinions in respect of these periods. The FY2013 audited statutory historical financial statements for BAWM Pty Ltd were audited by Pitcher Partners in accordance with Australian Auditing Standards, who issued an unqualified audit opinion.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.2 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information. Due to their nature, the Pro forma Historical Results and Pro forma Historical Cash Flows do not represent the Company's actual or prospective financial position, financial performance, and/or cash flows.

Forecast Financial Information

The Company and SaleCo have requested PricewaterhouseCoopers Securities Ltd to review the following forecast financial information of the Company (the responsible party), the Founding Companies and the Ancillary Businesses, included in the Prospectus:

- pro forma consolidated forecast income statement for FY2014 (**Pro forma Forecast Results**);
- statutory consolidated forecast income statement for FY2014 (**Statutory Forecast Results**);
- pro forma consolidated forecast cash flow statements for FY2014 (**Pro forma Forecast Cash Flows**); and
- statutory consolidated forecast cash flow statements for FY2014 (**Statutory Forecast Cash Flows**).

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(collectively the **Forecast Financial Information**)

The Forecast Financial Information has been derived from the statutory consolidated forecast income and cash flow statements of the Company for FY2014 after adjusting for the Merger and other adjustments to reflect the Company's operations following Completion of the Offer and to eliminate non-recurring items as set out in Section 4.3.2 and 4.5.1. Both the statutory consolidated forecast income and cash flow statements for FY2014 consist of actual unaudited results for the three months to September 2013 and Vocation's best estimate forecasts for the nine months to June 2014. The stated basis of preparation used in the preparation of the Forecast Financial Information being the recognition and measurement principles contained in Australian Accounting Standards applied to the forecast and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4 of the Prospectus, as if those event(s) or transaction(s) had occurred as at 1 July 2010. Due to its nature, the Forecast Financial Information does not represent the Company's actual prospective income statement, and/or cash flows for the year ending as at 30 June 2014.

Directors' responsibility

The directors of the Company are responsible for the preparation of the Historical Financial Information, including its basis of preparation and the selection and determination of pro forma adjustments included in the Historical Financial Information. The directors of the Company are also responsible for the preparation of the Forecast Financial Information, including its basis of preparation, the best-estimate assumptions underlying the Forecast Financial Information, and the selection and determination of the pro forma adjustments included in the Forecast Financial Information. This includes responsibility for its compliance with applicable laws and regulations and for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Forecast Financial Information that are free from material misstatement.

Our responsibility

Our responsibility is to express a limited assurance conclusion on the Historical Financial Information, the Forecast Financial Information, the best-estimate assumptions underlying the Forecast Financial Information, and the reasonableness of the Forecast Financial Information, based on our review. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the financial information.

SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT

**Conclusions***Historical Financial Information*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information as described in section 4 of the Prospectus, is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 4.2 of the Prospectus being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies applied to the Historical Financial Information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 4.2.1 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the Historical Financial Information.

Forecast Financial Information

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that:

- the directors' best-estimate assumptions used in the preparation of the Forecast Financial Information do not provide reasonable grounds for the Forecast Financial Information; and
- in all material respects, the Forecast Financial Information:
 - is not prepared on the basis of the directors' best-estimate assumptions, as described in section 4.7 of the Prospectus; and
 - is not presented fairly in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies, applied to the Forecast Financial Information and the pro forma adjustments as if those adjustments had occurred as at the date of the forecast; and
- the Forecast Financial Information itself is unreasonable.

The Forecast Financial Information has been prepared by management and adopted by the directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the year ending 30 June 2014. There is a considerable degree of subjective judgment involved in preparing forecasts since they relate to event(s) and transaction(s) that have not yet occurred and may not occur. Actual results are likely to be different from the Forecast Financial Information since anticipated event(s) or transaction(s) frequently do not occur as expected and the variation may be material. The directors' best-estimate assumptions on which the Forecast Financial Information are based relate to future event(s) and/or transaction(s) that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside the control of the Company.



Evidence may be available to support the directors' best-estimate assumptions on which the Forecast Financial Information is based however such evidence is generally future-oriented and therefore speculative in nature. We are therefore not in a position to express a reasonable assurance conclusion on those best-estimate assumptions, and accordingly, provide a lesser level of assurance on the reasonableness of the directors' best-estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in sections 5 and 4.8 respectively of the Prospectus. The sensitivity analysis described in section 4.8 of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best-estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

The Forecast Forecast Information has been prepared by the directors for the purpose of inclusion in Prospectus. We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to section 4 of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Consent

PricewaterhouseCoopers Securities Ltd has consented to the inclusion of this assurance report in the public document in the form and context in which it is included.

Liability

The liability of PricewaterhouseCoopers Securities Ltd is limited to the inclusion of this report in the Prospectus. PricewaterhouseCoopers Securities Ltd makes no representation regarding, and has no liability for, any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

PricewaterhouseCoopers Securities Ltd does not have any interest in the outcome of the Offer other than the preparation of this report and participation in due diligence procedures for which normal professional fees will be received.

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SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT

***Financial Services Guide***

We have included our Financial Services Guide as Appendix A to our report. The Financial Services Guide is designed to assist retail clients in their use of any general financial product advice in our report.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Troy Porter', is written over a faint, light-colored signature line.

Troy Porter
Authorised Representative
PricewaterhouseCoopers Securities Ltd

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Appendix A – Financial Services Guide

PRICEWATERHOUSECOOPERS SECURITIES LTD

FINANCIAL SERVICES GUIDE

This Financial Services Guide is dated 15 November 2013

1. About us

PricewaterhouseCoopers Securities Ltd (ABN 54 003 311 617, Australian Financial Services Licence no 244572) (**PwCS**) has been engaged by the Company and SaleCo to provide a report in the form of an Investigating Accountant's Report in relation to the issue of shares in the proposed initial public offering and listing of the Company on the Australian Securities Exchange (the **Report**) for inclusion in the prospectus dated 15 November 2013.

You have not engaged us directly but have been provided with a copy of the Report as a retail client because of your connection to the matters set out in the Report.

2. This Financial Services Guide

This Financial Services Guide (**FSG**) is designed to assist retail clients in their use of any general financial product advice contained in the Report. This FSG contains information about PwCS generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the Report, and how complaints against us will be dealt with.

3. Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities, interests in managed investment schemes, derivatives, superannuation products, foreign exchange contracts, insurance products, life products, managed investment schemes, government debentures, stocks or bonds, and deposit products.

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SECTION 8: INVESTIGATING ACCOUNTANT'S REPORT

**4. General financial product advice**

The Report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.

You should consider your own objectives, financial situation and needs when assessing the suitability of the Report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

5. Fees, commissions and other benefits we may receive

PwCS has acted as Investigating Accountant and has prepared the Investigating Accountants' Report and has performed work in relation to due diligence enquiries. The Company has paid, or agreed to pay, approximately \$875,000 (excluding disbursements and GST) for the above services up until the Prospectus Date.

6. Associations with issuers of financial products

PwCS and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, PricewaterhouseCoopers may be the auditor of, or provide financial services to, the issuer of a financial product and PwCS may provide financial services to the issuer of a financial product in the ordinary course of its business.

PricewaterhouseCoopers is the auditor of the Company.

7. Complaints

If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner. In addition, a copy of our internal complaints handling procedure is available upon request.

If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Financial Ombudsman Service (FOS), an external complaints resolution service. FOS can be contacted by calling 1300 780 808. You will not be charged for using the FOS service.

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8. Contact Details

PwCS can be contacted by sending a letter to the following address:

Troy Porter
Authorised Representative
PricewaterhouseCoopers Securities Ltd
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

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SECTION 9

Additional information

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9.1 REGISTRATION

Vocation was registered in Victoria on 6 November 2013 as a public company limited by shares.

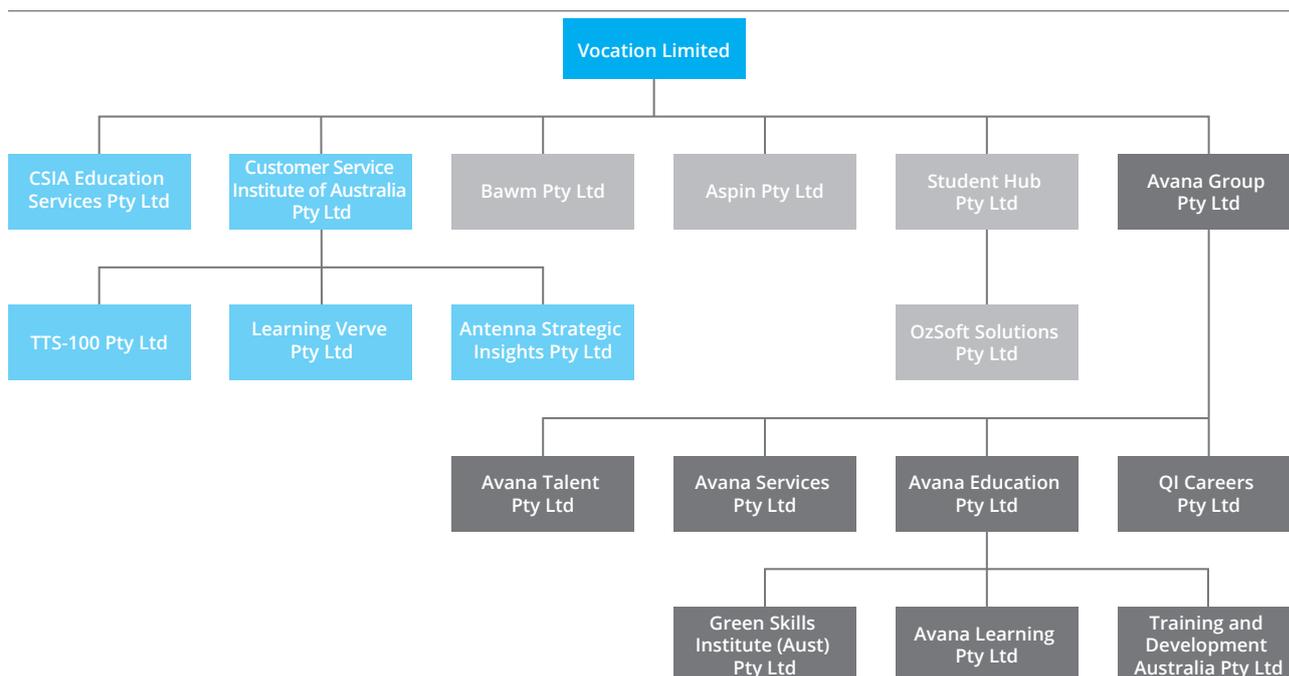
9.2 COMPANY TAX STATUS

Vocation is and will be subject to tax at the Australian corporate tax rate.

9.3 CORPORATE STRUCTURE

Figure 9.3.1 shows the key Vocation entities following Completion of the Offer.

Figure 9.3.1: Post-Listing group structure



Note: At Listing, Vocation will hold, directly or indirectly, 100% of the shares in the entities shown in the diagram above.

9.4 MATERIAL AGREEMENTS

9.4.1 Implementation Agreement

The AVANA Founder, the BAWM Founders, the CSIA Founder and Vocation have entered into the Implementation Agreement dated 15 November 2013, for the purpose of implementing the Merger and preparing for the Offer.

9.4.1.1 Key obligations – BAWM Founders

The BAWM Founders' key obligations under the Implementation Agreement are as follows:

- procuring that BAWM, Student Hub and OzSoft assist Vocation in preparing this Prospectus, including by providing all information required in relation to BAWM, Student Hub and OzSoft;
- procuring that the owners of Student Hub enter into an Option Deed as described in Section 9.4.2 below;
- entering into an Option Deed as described in Section 9.4.2 below in relation to Aspin;
- entering into the BAWM Sale Agreement as described in Section 9.4.3 below; and
- taking certain other steps in preparation for the sale of BAWM and Student Hub to Vocation.

9.4.1.2 Key obligations – AVANA Founder

The AVANA Founder's key obligations under the Implementation Agreement are as follows:

- procuring that AVANA assists Vocation in preparing this Prospectus, including by providing all information required in relation to AVANA;
- procuring that the owners of AVANA enter into an Option Deed as described in Section 9.4.2 below; and
- taking certain other steps in preparation for the sale of AVANA to Vocation.

9.4.1.3 Key obligations – CSIA Founder

The CSIA Founder's key obligations under the Implementation Agreement are as follows:

- procuring that CSIA assists Vocation in preparing this Prospectus, including by providing all information required in relation to CSIA;
- entering into an Option Deed as described in Section 9.4.2 below in relation to CSIA; and
- taking certain other steps in preparation for the sale of CSIA to Vocation.

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SECTION 9: ADDITIONAL INFORMATION

9.4.1.4 Calculation of Merger consideration

The Implementation Agreement also sets out the basis for calculating the cash consideration and Founder Shares to be received by the Founders in connection with the sale of AVANA, BAWM, CSIA and Student Hub to Vocation.

Subject to certain adjustments agreed between the parties, the allocation of cash consideration and Founder Shares between the Founders is calculated generally in proportion to the forecast EBITA of each of AVANA, BAWM, CSIA and OzSoft (which is owned by Student Hub) for FY2014.

9.4.1.5 Warranties and representations

The Implementation Agreement contains a number of warranties and representations from the AVANA Founder, the BAWM Founders and the CSIA Founder in favour of Vocation and each other, including in relation to the information provided by AVANA, BAWM (including in relation to Student Hub, OzSoft and Aspin) and CSIA (respectively) for inclusion in this Prospectus.

9.4.1.6 Termination

The Implementation Agreement may be terminated in the following circumstances:

- if one of the parties materially breaches the agreement and does not remedy that breach within a specified period; or
- if the Merger is not implemented before 31 May 2014.

9.4.2 Option Deeds

On 15 November 2013, four put and call option deeds ("Option Deeds") were entered into between Vocation as purchaser and the following as sellers (together, "Vendor Founders") in relation to the securities of the following entities ("Vendor Founding Companies"):

- the owners of Avana Group Pty Ltd, in relation to the entire issued securities of Avana Group Pty Ltd;
- the owner of CSIA, in relation to the entire issued securities of Customer Service Institute of Australia Pty Ltd and CSIA Education Services Pty Ltd;
- the owners of Student Hub, in relation to the entire issued securities of Student Hub; and
- the BAWM Founders, in relation to the entire issued securities of Aspin.

Under each Option Deed, Vocation has a call option, and the relevant Vendor Founders have a put option, over the issued securities of the relevant Vendor Founding Company. The Option Deeds are each in similar form and are generally on similar terms and conditions.

9.4.2.1 Conditions of exercise

Exercise of the put option and the call option under each Option Deed is conditional upon:

- the Underwriting Agreement not being terminated or varied in a manner materially adverse to the relevant Vendor Founders without their consent; and
- ASX indicating in writing that it will grant permission for the admission of Vocation to the Official List, either unconditionally or on conditions satisfactory

to Vocation and the relevant Vendor Founders (acting reasonably).

Subject to satisfaction of the above conditions, Vocation intends to exercise the call option under each of the Option Deeds.

9.4.2.2 Conditions of completion

Completion of the acquisition of the Vendor Founding Companies under each Option Deed is conditional on:

- Vocation receiving the proceeds of the Offer in cleared funds; and
- Vocation being satisfied (acting reasonably) that the relevant Vendor Founders under each of the Option Deeds are ready, willing and able to complete the sales.

9.4.2.3 Purchase price

The consideration for the purchase of each Vendor Founding Company under the Option Deeds is the number of Founder Shares and/or the amount of cash specified in the Implementation Agreement. The cash consideration will be funded from the proceeds of the Offer. The offer of Founder Shares to the Vendor Founders (other than the owners of Aspin, who will be offered cash only) is being made under Section 7.2 of this Prospectus.

9.4.2.4 Working capital and cash retention and discharge of external debt

The Vendor Founders under the AVANA and CSIA Option Deeds are required to ensure that the Vendor Founding Companies are transferred with a specified amount of cash and with current liabilities not exceeding current assets. These Vendor Founding Companies must also be transferred with no external debt (or with an additional amount of cash, or a purchase price adjustment, sufficient to cover any external debt). Subject to complying with these requirements, the Vendor Founders under the AVANA and CSIA Option Deeds will be entitled to allow these Vendor Founding Companies to distribute any excess cash held by them above the specified cash amount prior to completion of the acquisition.

9.4.2.5 Ownership of assets

The Vendor Founders must ensure that the business and the assets are owned (directly or indirectly) by Vendor Founding Company free from any encumbrance (except for any assets that have been leased or purchased under credit arrangements, where such lease or credit arrangement has been disclosed to Vocation).

9.4.2.6 Conduct of business pending completion

Each Option Deed contains customary conduct of business obligations in respect of the period prior to completion. The Vendor Founders must give Vocation access to the business and the assets of the relevant Vendor Founding Company for the purposes of conducting due diligence investigations, inspecting and testing the business and the assets.

9.4.2.7 Representations and warranties

The Vendor Founders give warranties and representations to Vocation covering various matters including title and capacity, issued capital, ownership of assets, accounts and compliance, licensing, insurances, intellectual property, compliance with contracts, tax compliance and litigation. Warranty claims are restricted for matters disclosed in the required way. A limitation period of 7 years applies from completion to the making of a tax warranty claim, and 2 years for other claims. No claim can be made of less than \$25,000 or if the aggregate of all claims is less than \$100,000. The aggregate liability of the Vendor Founders under claims for breach of tax warranties and title and capacity warranties are limited to the purchase price. A limit of 25% of the purchase price applies to other warranty claims. The Vendor Founders bear liability for warranty claims in proportion to their interest in the relevant Vendor Founding Companies except that under the AVANA Option Deed, generally only the Executive Founders who are Vendor Founders of AVANA are liable for warranty claims. Other customary limitations on claims are applicable, such as where the claim arises from an act or omission of Vocation or Vocation receives a benefit or credit from a third party in respect of the relevant loss.

9.4.2.8 Restraints of trade

Certain key Vendor Founding Company executives (who are also proposed to be executives in Vocation) and are subject to non-compete and confidentiality provisions under the Option Deeds for up to two years from the date of completion of the sale. During the restraint period the relevant Vendor Founding Company executives are prohibited from directly or indirectly knowingly carrying on, or being engaged, concerned or involved, in any business competitive with the relevant business and must not disclose any confidential information of the business to anyone other than Vocation.

9.4.3 BAWM Sale Agreement

On 15 November 2013, the BAWM Founders and Vocation entered into and completed a sale agreement ("BAWM Sale Agreement") under which the BAWM Founders sold the entire issued share capital in BAWM Pty Ltd to Vocation in return for being issued approximately 87.5 million Shares.

The terms of the BAWM Sale Agreement are similar to those of the Option Deeds. Accordingly, certain key BAWM executives (who are also proposed to be executives of Vocation) are subject to non-compete provisions under the BAWM Sale Agreement for up to two years from the date of completion of the sale. The BAWM Founders are also required to ensure that, as at Completion of the Offer, BAWM, Student Hub and OzSoft hold a specified amount of cash, have current liabilities not exceeding current assets and have no external debt (or hold an additional amount of cash sufficient to cover any external debt). Subject to complying with these requirements, the BAWM Founders will be entitled to allow BAWM and Student Hub to distribute any excess cash held by them above the specified cash amount, to be paid prior to or shortly after Completion of the Offer.

9.4.5 Founders' interests in Shares

The Founders' interests in Shares in the Company upon Completion are set out below:

Founders	Shares held on Completion (million)
Wendy Bonnici	6.8
Mark Hutchinson	4.6
Michael Langtree	6.8
Jonathan Smuskowitz	0.6
Brett Whitford	18.2
Other Founders	27.0

Founders may hold their interest in Shares shown above directly, or through holdings by companies or trusts.

Each of the Shares recorded in the above table as held by the Executive Founders and certain other Vendor Founders will be subject to voluntary escrow restrictions described in Section 9.6 (including the application of a holding lock).

9.5 TRANSFER OF SHARES BY THE BAWM FOUNDERS

SaleCo, a special purpose vehicle, has been established to enable the BAWM Founders to sell a portion of their investment in Vocation. The BAWM Founders have executed a deed poll in favour of, and for the benefit of, SaleCo under which they irrevocably offer to sell Existing Shares to SaleCo free from encumbrances and third party rights and conditional on Listing. As at the Prospectus Date, the BAWM Founders have irrevocably offered to sell approximately 58.6 million Existing Shares to SaleCo.

The Existing Shares which SaleCo acquires from the BAWM Founders will be transferred to successful Applicants under the Offer. The price payable by SaleCo for these Existing Shares is the Offer Price. Vocation will also issue Shares to successful Applicants under the Offer.

SaleCo has no material assets, liabilities or operations other than its interest in the deed poll described above. The director of SaleCo is Mark Hutchinson and the shareholders of SaleCo are the BAWM Founders. Vocation has agreed to provide such resources and support as are necessary to enable SaleCo to discharge its functions in relation to the Offer and will indemnify SaleCo in respect of costs of the Offer. Vocation has indemnified SaleCo and the directors of SaleCo for any loss which SaleCo or the directors of SaleCo may incur as a consequence of the Offer.

9.6 ESCROW ARRANGEMENTS

Except as disclosed below, each of the Executive Founders, certain other Vendor Founders and the Directors has entered into a voluntary escrow deed poll in favour of Vocation under which the relevant Shareholder has agreed not to dispose of, or grant security over, Shares held by them at Completion of the Offer until the first business day after Vocation's FY2015 results are released. At that time, 50% of the applicable Shares will cease to be subject to the escrow restrictions. The remaining 50% of the applicable Shares will continue to be subject to the escrow

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SECTION 9: ADDITIONAL INFORMATION

restrictions until the first business day after Vocation's FY2016 results are released. The Shares to which Steve Tucker is entitled under the Merger in his capacity as a Vendor Founder are not subject to escrow.

The CFO has entered into a voluntary escrow deed poll in favour of Vocation under which he has agreed not to dispose of, or grant security over, Shares held by him at Completion of the Offer until the first anniversary of Listing. At that time, 50% of the applicable Shares will cease to be subject to the escrow restrictions. The remaining 50% of the applicable Shares will continue to be subject to the escrow restrictions until the first business day after Vocation's FY2015 results are released.

The escrow restrictions will not apply in the following circumstances:

- in connection with the acceptance of a takeover bid;
- in connection with a scheme of arrangement where the holder agrees in writing that a holding lock will be re-applied if the merger does not take effect;
- if the dealing is a transfer to a related party and will not result in a breach of section 707(3) of the Corporations Act.

If an applicable Shareholder breaches its voluntary escrow deed poll:

- Vocation may take the steps necessary to enforce the deed poll, or to rectify the breach;
- Vocation may refuse to acknowledge, deal with, accept or register any sale, assignment, transfer or conversion of any of the applicable Shares in addition to other rights and remedies of Vocation; and
- the applicable Shareholder ceases to be entitled to any dividends, distribution or voting rights while the breach continues.

9.7 EXECUTIVE AND EMPLOYEE SHARE PLANS

9.7.1 Short term incentive plan

The Company will retain the Founding Companies' cash-based STIP in FY2014 for certain employees. The Company intends to review these arrangements for FY2015. Except as disclosed below, no key management personnel will be eligible for any STIP in FY2014. Mark Hutchinson and Manvinder Gréwal are both eligible to receive a short-term incentive cash bonus equivalent to 30% of base salary.

9.7.2 Performance Rights Plan

The Company has established a Performance Rights Plan under which eligible participants will be granted rights to receive Shares at a future date provided that certain conditions are met.

For the inaugural grant made under the Performance Rights Plan, the Company has issued the Chairman, Non-executive Directors and the CFO (or their nominee companies or trusts) grants of Performance Rights which will total in aggregate rights to acquire up to \$3,786,792 in Shares prior to Listing for no consideration. These rights were used to assist in the recruitment and retention of these key individuals through to the Listing process and

will automatically convert into Shares immediately prior to Completion of the Offer.

Going forward, the Performance Rights Plan may be used to make annual grants that may form the long term incentive component of their total remuneration package. This will further align executives' interests with those of shareholders, and is reflective of typical market practice of listed companies.

Eligibility to participate in the Performance Rights Plan, quantum, performance period, vesting criteria, etc. will be determined by the Board if and when further grants are made under the Performance Rights Plan.

9.8 CONSTITUTION AND RIGHTS ATTACHING TO SHARES

9.8.1 Introduction

The rights attaching to Shares are governed by the Constitution and in certain circumstances are regulated by the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and general law.

A summary of the key rights attaching to the Shares and certain material provisions of the Constitution is set out below. This summary is not intended to be exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. Investors who wish to inspect the Constitution may do so during the Offer Period at the registered office of the Company during normal business hours.

9.8.2 Meetings of Shareholders and notices

Each Shareholder is entitled to receive notice of, attend and vote at general meetings of the Company and receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or ASX Listing Rules.

9.8.3 Voting

At a general meeting, every Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands (irrespective of the number of Shares they hold) and one vote for each Share held on a poll. Where there are two or more joint holders of a Share and more than one joint holder tenders a vote, the vote of the holder named first in the register who tenders the vote will be accepted to the exclusion of the votes of the other joint holders.

Voting at any meeting of Shareholders is by a show of hands unless a poll is demanded. A poll may be demanded by a Shareholder in accordance with the Corporations Act or by the chairman.

9.8.4 Dividends

The Directors may, from time to time, resolve to pay dividends to Shareholders. Such dividends may be paid from any available source permitted by law. The Directors may fix the amount and the method of payment of the dividends. The payment of a dividend does not require any confirmation by a general meeting.

Subject to any special rights or restrictions attaching to any class or classes of shares, dividends must be paid equally on all shares of equal class and in proportion to the number of, and the amounts paid on, the shares held.

The Constitution authorises the Board, on any terms and at its discretion, to establish a dividend reinvestment plan (under which any member may elect that the dividends payable by Vocation be reinvested by a subscription for Shares).

9.8.5 Issue of Shares

Subject to the restrictions on the issue of shares imposed by the Constitution, the ASX Listing Rules and the Corporations Act, the Directors may issue, allot or grant options in respect of, or otherwise dispose of further shares to any person on such terms and conditions (including preferential, deferred or special rights, privileges or conditions, or restrictions) as they see fit.

9.8.6 Share buy-backs

Subject to the Corporations Act, the ASX Listing Rules and the ASX Settlement Operating Rules, Vocation may buy back Shares on terms and at times determined by the Board.

9.8.7 Variation of class rights

Subject to the Corporations Act and their terms of issue, the rights attached to a class of securities may be varied with the consent in writing of the holders of at least three-quarters of the issued shares in the particular class, or by a special resolution passed at a separate meeting of the holders of shares in that class.

The creation or issue of further Shares ranking equally with a class of securities already on issue is not a variation of class rights.

9.8.8 Transfer of Shares

Subject to the Constitution, Shares may be transferred by a written transfer instrument in the usual form or any form approved by the Directors or in accordance with the ASX Settlement Operating Rules. The Directors may refuse to register a transfer of Shares, or apply a holding lock to prevent a transfer of Shares. The Directors must refuse to register a transfer of Shares where required to do so by the ASX Listing Rules.

9.8.9 Sale of non-marketable parcels

Subject to the Corporations Act and ASX Listing Rules, the Company may sell the Shares of a Shareholder who holds less than a marketable parcel of Shares, provided that the procedures set out in the Constitution are followed.

9.8.10 Winding up

Subject to the Constitution and any special rights or restrictions attaching to any class or classes of shares, shareholders will be entitled on a winding up to a share in any surplus assets of the Company in proportion to the shares held by them. Any amount unpaid on shares held by a shareholder is to be deducted from the amount that would otherwise be distributed to that shareholder.

9.8.11 Proportional takeover provisions

The Constitution contains provisions requiring Shareholder approval in relation to any proportional takeover bid. The provisions will lapse three years from the date of the adoption of the Constitution unless renewed by a special resolution of Shareholders in a general meeting.

9.8.12 Directors – appointment and removal

The minimum number of Directors is three and the maximum is fixed by the Directors but may not be more than nine, unless the Shareholders pass a resolution varying that number. Directors are elected at annual general meetings of the Company.

The Directors may also appoint a Director to fill a casual vacancy on the Board or in addition to the existing Directors, who will then hold office until the next annual general meeting of the Company.

Retirement will occur on a rotational basis so that no Director (excluding the CEO) may hold office beyond the third annual general meeting following the meeting at which they were last elected or re-elected (whichever is later) without Shareholders approving their reappointment.

9.8.13 Directors – voting

Questions arising at a meeting of Directors will be decided by a majority of votes of the Directors present at the meeting and entitled to vote on the matter. In the case of a tied vote, the Chairman has a second or casting vote, unless there are only two Directors present or qualified to vote, in which case the proposed resolution is taken as having been lost.

9.8.14 Directors – remuneration

The Constitution provides that Directors are entitled to receive remuneration for their services, as the Directors decide, but the maximum aggregate sum paid must not exceed the amount approved from time to time by the Company in a general meeting. Any change to the maximum aggregate sum needs to be approved by Shareholders. The maximum aggregate sum excludes special and additional remuneration for special exertions and additional services performed by a Director as determined appropriate by the Board. Any remuneration paid to Directors must not include a commission on, or percentage of, operating revenue.

The Constitution also makes provision for the Company to pay all expenses of Directors in attending meetings and carrying out their duties.

9.8.15 Indemnities

The Company, on a full indemnity basis and to the full extent permitted by law, indemnifies each person who is or has been a director or executive officer of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine (each an "Officer"), against any liability (including costs and expenses) incurred by that person as a director or executive officer of the Company or a related body corporate of the Company to the extent permitted by law.

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SECTION 9: ADDITIONAL INFORMATION

The Company, may, to the extent permitted by law, pay the premium on a policy of insurance in respect of an Officer.

The Company has entered into deeds of access, indemnity and insurance with each Director which confirm the Director's right of access to Board papers and requires the Company to indemnify the Director for a liability incurred as an Officer or any of its related bodies corporate, subject to the restrictions imposed by the Corporations Act and the Constitution.

Further details about these deeds of access, indemnity, and insurance are found in Section 6.4.6.

9.8.16 Variation of the Constitution

The Constitution may be amended only by a special resolution passed by at least 75% of the votes cast by Shareholders present and entitled to vote on the resolution.

9.9 LITIGATION AND CLAIMS

Vocation will, from time to time, be party to various disputes and legal proceedings incidental to the conduct of its business. As at the Prospectus Date, there are no legal proceedings to which the Founding Companies or Vocation is a party that the Company believes are likely to have a material adverse impact on its future financial results, and the Company is not aware of any such legal proceedings that are pending or threatened.

9.10 TAXATION CONSIDERATIONS

9.10.1 Australian taxation considerations

The taxation summary seeks to provide Australian tax resident individual Shareholders, complying superannuation fund Shareholders, Australian tax resident corporate Shareholders and non-Australian tax resident Shareholders with an overview of the relevant Australian income tax considerations associated with the payment of dividends by Vocation and the future disposal of their Shares.

Australian tax laws are complex and change frequently. This summary is general in nature and is not intended to be an authoritative or complete statement of the applicable law. The individual circumstances of each investor may affect the taxation implications of the investment of that investor. Investors should seek appropriate independent professional advice that considers the taxation implications in respect of their own specific circumstances.

To the extent permitted by law, Vocation disclaims all liability to any investor or other party for all costs, loss, damage and liability that the investor or other party may suffer or incur arising from or relating to or in any way connected with the contents of this summary or the provision of this summary to the investor or other party or the reliance on it by the investor or other party.

Unless otherwise indicated, the comments are based on the income tax law, established interpretations of that law and understanding of the practice of the Australian Taxation Office as at the Prospectus Date.

9.10.2 Taxation of dividends

9.10.2.1 Australian tax resident individual Shareholders and complying superannuation fund Shareholders

Dividends paid by Vocation on a Share will constitute assessable income of an Australian tax resident Shareholder. Australian tax resident Shareholders who are individuals or complying superannuation funds should include in their assessable income the dividend received and any franking credit attached to the dividend. These Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce the tax payable on a Shareholders' taxable income. The Shareholder will be entitled to a refund if the tax offset exceeds the tax payable on a Shareholders' taxable income.

9.10.2.2 Australian tax resident corporate Shareholders

Dividends paid by Vocation on a Share will constitute assessable income of an Australian tax resident corporate Shareholder. Australian tax resident corporate Shareholders should include in their assessable income the dividend received, together with any franking credit attached to the dividend. Such Shareholders should be entitled to a tax offset equal to the franking credit attached to the dividend. The tax offset can be applied to reduce tax payable on a Shareholder's taxable income.

An Australian tax resident corporate Shareholder should be entitled to a credit in its own franking account to the extent of the franking credit attached to the dividend. This will allow the Australian tax resident corporate Shareholder to pass on the benefit of the franking credits to its own shareholders on the payment of dividends. For Australian tax resident corporate Shareholders, excess franking credits received cannot give rise to a tax refund, but may be able to be converted into carry forward tax losses.

9.10.2.3 Non-resident Shareholders

Dividends paid by Vocation on a Share to a non-Australian tax resident Shareholder may be subject to dividend withholding tax.

Where fully franked dividends are paid to a non-Australian tax resident Shareholder, generally no dividend withholding tax is required to be withheld. Where unfranked dividends are paid to a non-Australian tax resident Shareholder, Vocation will generally be required to withhold tax from the payment of the dividend under the withholding tax rules. No further Australian tax liability arises for non-Australian tax resident Shareholders to the extent that the dividend is franked or subject to dividend withholding tax.

Non-Australian tax resident Shareholders should seek their own independent tax advice as the above comments are general in nature, and any tax liability may vary depending on the Shareholder's individual circumstances.

9.10.2.4 Franking credits

The benefit of franking credits can be denied where a Shareholder is not a 'qualified person'. Broadly, a Shareholder must satisfy a 'holding period rule' and, if necessary, a 'related payment rule' to be a qualified person. The 'holding period rule' requires a Shareholder to hold the Shares 'at risk' for a continuous period of more than 45 days commencing the day after the Shares are acquired and ending 45 days after the Shares go ex dividend.

Under the 'related payment rule', a different testing period applies where the Shareholder has made, or is under an obligation to make, a related payment in relation to a dividend. The 'related payment rule' also requires the Shareholder to hold the Shares at risk for a period commencing on the 45th day before, and ending on the 45th day after, the day the Shares go ex dividend.

Where a Shareholder is not a 'qualified person', the Shareholder will not need to include an amount for the franking credit in their assessable income and will not be entitled to a corresponding tax offset.

9.10.3 Taxation of future Share disposals

The comments below provide a general summary of Australian tax issues for Shareholders who acquire Shares under this Prospectus and hold their Shares on capital account. They do not apply to Shareholders who do not hold their Shares on capital account, including banks, insurance companies or Shareholders who carry on a business of trading in Shares, or to Shareholders who are subject to the Taxation of Financial Arrangements regime in Division 230 of the Income Tax Assessment Act 1997 (Cth) who have made elections for the application of the fair value or reliance on financial reports methods.

9.10.3.1 Australian tax resident Shareholders

The disposal of a Share by an Australian tax resident Shareholder will be a capital gains tax ("CGT") event. A capital gain will arise where the capital proceeds on disposal of the Share exceed the cost base of the Share (broadly, the amount paid to acquire the Share plus any transaction costs). In the case of an arm's length on market sale, the capital proceeds will generally be the cash proceeds from the sale.

The CGT discount may be applied against the net capital gain where the Shareholder is an individual, complying superannuation fund or trustee, the Shares have been held for more than 12 months and certain other requirements have been met. Where the 50% CGT discount applies, any capital gain arising to individuals and entities acting as trustees (other than a trustee of a complying superannuation fund) may be reduced by 50% after offsetting current year or prior year capital losses. For a complying superannuation fund, any capital gain may be reduced by 33.33%, after offsetting current year or prior year capital losses.

A capital loss will be realised where the reduced cost base of the Share exceeds the capital proceeds from disposal. Capital losses may only be offset against capital gains realised by the Shareholder in the same year or future income years, subject to certain loss recoupment tests being satisfied. Capital losses cannot be offset against other assessable income.

9.10.3.2 Non-Australian tax resident Shareholders

Where a non-Australian tax resident Shareholder (and any associates) holds less than 10% of the Shares, any capital gain made on disposal of the Shares will be exempt from CGT, unless the Shares are an asset of an Australian situated permanent establishment of a non-Australian tax resident Shareholder.

A non-Australian tax resident Shareholder (and any associates) holding more than 10% of the Shares will only be liable to tax where more than 50% of the value of Vocation's assets is attributable to Australian real property. Where this is not the case, any capital gain made on disposal of the Shares will be exempt from CGT.

As the application of the CGT rules will vary depending on the Shareholder's individual circumstances, non-Australian tax resident Shareholders should seek their own professional advice when disposing of their Shares.

9.10.4 Tax file number and Australian Business Number

A Shareholder is not required to quote their tax file number ("TFN") to Vocation. However, if they do not quote their TFN (or exemption details are not provided), Australian tax may be required to be withheld by Vocation from any unfranked dividends paid at the top marginal tax plus Medicare levy (currently 46.5%).

A Shareholder who holds Shares in the course of carrying on an enterprise may quote their Australian Business Number instead of their TFN.

9.10.5 Stamp duty

No stamp duty will be payable by you on the issue of Shares to you pursuant to the Offer. Under current stamp duty legislation, no stamp duty would ordinarily be payable on any subsequent transfer of Shares by you.

9.10.6 Goods and services tax

Investors should not be liable for goods and services tax ("GST") in respect of their investment in Shares.

Investors may not be entitled to claim full input tax credits in respect of any GST paid on costs incurred in connection with their acquisition of the Shares. Shareholders should seek their own professional advice to determine whether they will be able to claim any input tax credits.

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SECTION 9: ADDITIONAL INFORMATION

9.11 CONSENTS

Written consents to the issue of this Prospectus have been given and, at the time of lodgement of this Prospectus with ASIC, had not been withdrawn by each of the Directors.

Written consents to be named in this Prospectus in the capacity indicated below, and in the forms and context in which each is named, have been given by, and, at the time of lodgement of this Prospectus have not been withdrawn:

- each of Macquarie Capital (Australia) Limited and UBS AG, Australia Branch as JLMs to the Offer;
- Johnson Winter & Slattery as Australian legal adviser (other than in relation to taxation matters) to Vocation in relation to the Offer;
- PwC as auditor of Vocation;
- PwCS as Investigating Accountant to Vocation (in relation to the Financial Information);
- Link Market Services Limited as the Share Registry. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry to Vocation;
- Mitchell Wilson as former auditor of BAWM;
- Pitcher Partners as auditor of BAWM; and
- Absolute Partners as an adviser to Vocation.

Except in relation to the inclusion in this Prospectus of the Investigating Accountant's Report in the form and context in which it is included; PwCS has not caused, authorised, or otherwise has responsibility for the issue of this Prospectus or the preparation of any part of this Prospectus.

References are made in this Prospectus to entities that have certain dealings with Vocation, including counterparties to material contracts referred to in this Prospectus. These parties have been referred to for information purposes only. Those entities did not authorise or cause the issue of this Prospectus and have had no involvement in the preparation of any part of this Prospectus.

None of these aforementioned parties makes any offer of Shares.

9.12 ASX CONFIRMATIONS AND WAIVERS

Vocation has applied to ASX for a number of confirmations and waivers in connection with its application to ASX for admission to the Official List, including confirmation that the Founder Shares will not be treated as restricted securities and subject to an ASX-imposed escrow period in accordance with ASX Listing Rule 9.1 and Appendix 9B.

9.13 ASIC RELIEF

Vocation is not seeking ASIC relief in connection with the Offer.

9.14 UNDERWRITING AGREEMENT

Vocation, SaleCo, the Founding Companies and the Joint Lead Managers signed the Underwriting Agreement on 8 November 2013. Under the Underwriting Agreement, Vocation and SaleCo appointed UBS and Macquarie Capital as joint lead managers, bookrunners and underwriters of the Offer. The following is a summary of the principal provisions of the Underwriting Agreement.

9.14.1 Fees

Vocation and SaleCo have agreed to pay the Joint Lead Managers an underwriting fee of 2.8% of the Offer proceeds and a management fee comprising 0.7% of the Offer proceeds. The underwriting and management fees will become payable by Vocation and SaleCo on the date of Settlement and will be paid to the Joint Lead Managers in equal proportions. The fees include a component to be paid to brokers and advisers on behalf of the Company under the Broker Firm Offer. Vocation may also pay a further discretionary fee to the Joint Lead Managers of up to 1.0% of the Offer proceeds. Payment of this fee is at Vocation's discretion acting reasonably having regard to the performance of the Joint Lead Managers. If Vocation elects to make this further fee, it will become payable to the Joint Lead Managers in equal proportions one month after the date of Settlement. The actual amount of fees payable to the Joint Lead Managers will not be known until the allocation of Shares under the Offer. In addition, Vocation and SaleCo must reimburse each Joint Lead Manager for expenses in relation to the Offer, including legal costs, reasonably additional out of pocket expenses, stamp duty, and any costs that the Joint Lead Managers may incur in respect of any review of the Offer documents by any regulatory body.

9.14.2 Representations, warranties and undertakings

Vocation and SaleCo gives various representations, warranties and undertakings to the Joint Lead Managers, including that the documents issued or published by or on behalf of Vocation in respect of the Offer comply with all applicable laws. With the exception of the Shares issued under the Offer and certain other limited exceptions, Vocation has also agreed that it will not, without the Joint Lead Managers' prior written consent, issue or agree to issue any equity securities (or securities convertible or exchangeable into equity securities) at any time after the date of the Underwriting Agreement and before the expiration of 180 days after the Settlement date.

9.14.3 Indemnity

Vocation and SaleCo agrees to indemnify the Joint Lead Managers, their related bodies corporate and the officers, employees, agents and advisers of the Joint Lead Managers against all claims, demands, damages, losses, costs, expenses, liabilities or damages incurred by them in connection with the Offer and the Offer documents (subject to limited exclusions).

9.14.4 Termination events

Each Joint Lead Manager may, at any time, by notice given to Vocation, SaleCo and the other Joint Lead Manager, and without any cost or liability, immediately terminate its obligations under the Underwriting Agreement on the occurrence of a number of customary termination events, including (among others):

- an omission or misleading or deceptive statement in the Prospectus;
- ASX withdraws, qualifies or withholds its approval;
- a specified fall in the S&P ASX 200 index;
- where a director or person named in the Prospectus as a proposed director is charged with an indictable offence;
- a change in the management (including the executive founders);
- the insolvency of Vocation or SaleCo or a material group member;
- a material contract being altered, amended or varied without the consent of the Joint Lead Managers;
- where an event occurs which is, or is likely to give rise to a material adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Group; and
- where a statement or expression or opinion in the Prospectus which relates to a future matter (including any forecast or prospective financial statement) becomes incapable of being met.

Certain of these events will only give rise to a right to terminate if the Joint Lead Manager reasonably believes that the event has had or could reasonably be expected to have a material adverse effect on the success or outcome of the Offer or the ability of the Joint Lead Managers to settle the Offer, the trading price of Shares on ASX or there is a reasonable possibility of the Joint Lead Managers contravening any applicable laws as a result of the event. If this occurs, the Joint Lead Manager who validly terminates will no longer be a lead manager and will have no obligations to subscribe for Shares under the Offer. Under the Underwriting Agreement, if one Joint Lead Manager terminates, the other Joint Lead Manager may give notice in writing to Vocation stating that it will assume the obligations of the terminating Joint Lead Manager.

9.15 GOVERNING LAW

This Prospectus and the contracts that arise from the acceptance of the Applications under this Prospectus are governed by the laws applicable in New South Wales, and each Applicant under this Prospectus submits to the non-exclusive jurisdiction of the courts of New South Wales.

9.16 INTERESTS AND BENEFITS

Sections 6.3 and 9.17 outline the nature and extent of the interests and fees of certain persons involved in the Offer.

Other than as set out in this Prospectus, no:

- Director or proposed Director;

- person named in this Prospectus who has performed a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- promoter of Vocation; or
- underwriter to the Offer,

holds at the time of lodgement of this Prospectus with ASIC, or has held in the two years before lodgement of this Prospectus with ASIC, an interest in:

- the formation or promotion of Vocation;
- property acquired or proposed to be acquired by Vocation in connection with its formation or promotion, or in connection with the Offer or the Vendor Founder Offer; or
- the Offer or the Vendor Founder Offer,

and no amount (whether in cash, Shares or otherwise) has been paid or agreed to be paid, nor has any benefit been given or agreed to be given to any such persons for services in connection with the formation or promotion of Vocation or the Offer or the Vendor Founder Offer or to any Director or proposed Director to induce them to become, or qualify as, a Director.

9.17 INTERESTS OF ADVISERS

Vocation has engaged the following professional advisers:

- Macquarie Capital (Australia) Limited and UBS AG, Australia Branch have acted as JLMs to the Offer. Vocation has agreed to pay Macquarie Capital (Australia) Limited and UBS AG, Australia Branch the fees described in Section 9.14.1 for these services. In addition, Vocation has agreed to pay Macquarie an advisory fee of \$1.0 million (excluding GST) to act as corporate advisor to Vocation in relation to the Offer;
- Johnson Winter & Slattery ("JWS") has acted as Australian legal adviser (other than in respect of taxation matters) to Vocation in relation to the Offer and the Merger. Vocation has paid, or agreed to pay, approximately \$1.25 million (excluding GST) for these services up until the Prospectus Date. Further amounts may be paid to JWS in accordance with its normal time-based charges.
- PwCS has acted as the Investigating Accountant on the pro forma Financial Information and has prepared an Investigating Accountant's Report included in Section 8. For details of the fees that Vocation has paid, or agreed to pay, PwCS for the services provided, refer to the Financial Services Guide attached to the Investigating Accountant's Report included in Section 8. Further amounts may be paid to PwCS under time-based charge out rates.
- Absolute Partners has assisted in the preparation of Vocation for Listing and will be paid fees of \$195,000 (excluding GST). Manvinder Gréwal will be entitled to a portion of these fees.

These amounts, and other expenses of the Offer, will be paid by Vocation (or one of its subsidiaries) out of funds raised under the Offer or available cash. Further information on the use of proceeds and payment of expenses of the Offer is set out in Section 7.

SECTION 9: ADDITIONAL INFORMATION

9.18 ACKNOWLEDGEMENTS

Each Applicant, including those persons submitting an Application Form or paying Application Monies, will be deemed to have:

- agreed to become a member of Vocation and to be bound by the terms of the Constitution and the terms and conditions of the Offer;
- acknowledged having personally received a printed or electronic copy of the Prospectus (and any supplementary or replacement document) accompanying the Application Form and having read them all in full;
- under the Offer, declared that all details and statements in their Application Form are complete and accurate;
- declared that the Applicant(s), if a natural person, is or are over 18 years of age;
- under the Offer, acknowledged that once Vocation receives an Application Form it may not be withdrawn;
- under the Offer, applied for the number of Shares at the Australian dollar amount shown on the front of the Application Form;
- under the Offer, agreed to being allocated the number of Shares applied for (or a lower number allocated in a way described in this Prospectus), or no Shares at all;
- authorised Vocation and the JLMs and their respective officers or agents, to do anything on behalf of the Applicant(s) necessary for Shares to be allocated to the Applicant(s), including to act on instructions received by the Share Registry upon using the contact details in the Application Form;
- acknowledged that, in some circumstances, Vocation may not pay dividends;
- acknowledged that the information contained in this Prospectus (or any supplementary or replacement document) is not investment advice or a recommendation that Shares are suitable for the Applicant(s), and does not consider an Applicant's personal circumstances (including financial and tax issues) and consider;
- declared that the Applicant(s) is an Australian resident (except as applicable to the Institutional Offer);
- acknowledged that the Shares have not been, and will not be, registered under the US Securities Act or pursuant to the securities laws of any other jurisdiction outside Australia;
- represented and warranted that the Applicant(s) is not in the United States or other place outside Australia and is not a US Person (and not acting for the account or benefit of a US Person), and the Applicant(s) will not offer, sell or resell the Shares in the United States to, or for the account or benefit of, any US Person;
- certain recipients of Shares, including each of the Executive Founders, certain other Vendor Founders, the Directors and the CFO, acknowledged and agreed to escrow restrictions on substantially the same terms as the restriction deeds described in Section 9.6 (including the application of a holding lock) and agreed to appoint Vocation as their attorney and agent to complete and execute a restriction deed (such deed

to be on substantially the same terms as described in Section 9.6 or on substantially the same terms as the form of restriction agreement in Appendix 9A of the ASX Listing Rules (as applicable)) on the Applicant's behalf;

- acknowledged and agreed that the Offer may be withdrawn by Vocation or may otherwise not proceed in the circumstances described in this Prospectus;
- acknowledged and agreed that if Listing does not occur for any reason, the Offer and the Merger will not proceed; and
- acknowledged and agreed that if any Shares are issued under the Offer and thereafter the Listing does not proceed for any reason, Vocation will take steps to unwind some or all of the steps which it has already completed at that time (including by cancelling or voiding the issue of any Shares that may have been issued), and agreed to take all reasonable measures requested by Vocation (including, where applicable, to exercise its voting rights as a Vocation shareholder, and appointed Vocation or its nominee as attorney and agent to complete, execute and sign documents on the Applicant's behalf) to facilitate such unwind. In these circumstances, the Applicant acknowledges that there may be delays in effecting an unwind, including in order to first obtain any relevant regulatory relief or shareholder approvals.

9.19 STATEMENT OF DIRECTORS

This Prospectus is authorised by each of the directors of Vocation and SaleCo, who consents to its lodgement with ASIC and its issue.

9.20 EXPENSES OF THE OFFER

If the Offer proceeds, the total estimated costs in connection with the Offer, including advisory, legal, accounting, tax, listing and administrative fees as well as non-cash share-based payments, estimated non-recoverable GST, printing, advertising and other expenses are currently estimated to be approximately \$21.7 million.

9.21 FOREIGN SELLING RESTRICTIONS

This document does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia except to the extent permitted below.

9.21.1 China

The information in this document does not constitute a public offer of the Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the Peoples's Republic of China to legal or natural persons other than directly to "qualified domestic institutional investors".

9.21.2 European Economic Area: Austria, Belgium, Denmark, Germany, Liechtenstein, Luxembourg, Netherlands and Spain

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC ("Prospectus Directive"), as amended and implemented in Member States of the European Economic Area (each, a "Relevant Member State"), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorised or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC ("MiFID")); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

9.21.3 France

This document is not being distributed in the context of a public offering of financial securities (offre au public de titres financiers) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (Code monétaire et financier) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers ("AMF"). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (investisseurs qualifiés) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

9.21.4 Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong ("SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the Offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

9.21.5 Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended ("Prospectus Regulations"). The Shares have not been offered or sold, and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering, except to "qualified investors" as defined in Regulation 2(l) of the Prospectus Regulations.

9.21.6 Italy

The offering of the Shares in the Republic of Italy has not been authorised by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa ("CONSOB")) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the Shares may be distributed in Italy and the Shares may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(t) of Legislative Decree No. 58 of 24 February 1998, as amended ("Decree No. 58"), other than:

- to qualified investors ("Qualified Investors"), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); and

SECTION 9: ADDITIONAL INFORMATION

- in other circumstances that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

9.21.7 Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended ("FIEL") pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors.

Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

9.21.8 Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or sold in Malaysia except pursuant to an exemption from the prospectus requirements under the Malaysian Capital Markets and Services Act 2007.

9.21.9 New Zealand

This document has not been registered with, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (NZ). The Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept a placement of Shares other than to:

- persons whose principal business is the investment of money or who, in the course of and for the purpose of their business, habitually invest money; or

- persons who are each required to:

- pay a minimum subscription price of at least NZ\$500,000 for the securities before allotment; or
- have previously paid a minimum subscription price of at least NZ\$500,000 for securities of the Company ("Initial Securities") in a single transaction before the allotment of such Initial Securities and such allotment was not more than 18 months prior to the date of this document.

9.21.10 Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 29 June 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to "professional clients" (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

9.21.11 Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), or as otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the SFA.

This document has been given to you on the basis that you are: (i) an existing holder of the Shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

9.21.12 Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of Shares in Sweden is limited to persons who are “qualified investors” (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

9.21.13 Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

This document is personal to the recipient only and not for general circulation in Switzerland.

9.21.14 United Arab Emirates

Neither this document nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates, nor has the Company received authorisation or licensing from the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or any other governmental authority in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of any financial products or services may be made from within the United Arab Emirates and no subscription to any financial products or services may be consummated within the United Arab Emirates. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or

the allotment or redemption of Shares, may be rendered within the United Arab Emirates by the Company.

No offer or invitation to subscribe for Shares is valid in, or permitted from any person in, the Dubai International Financial Centre.

9.21.15 United Kingdom

Neither the information in this document nor any other document relating to the Offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (“FSMA”)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person, in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons: (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (“FPO”), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together, “relevant persons”). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

9.21.16 United States

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

SECTION 10

VET glossary

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Term	Meaning
Accredited courses	Accredited courses are developed to meet training needs that are not addressed by existing training packages
Advanced Diploma	A qualification under the AQF, which typically takes 18 months to two years to complete. Graduates at this level have specialised and integrated technical and theoretical knowledge with depth within one or more fields of work and learning
ANTA	Australian National Training Authority
AQF	Australian Qualifications Framework, which is the national policy for regulated qualifications in Australian education and training. It incorporates the qualifications from each education and training sector into a single comprehensive national qualifications framework
AQTF	Australian Quality Training Framework, the national set of standards which assures nationally consistent, high quality training and assessment services for the clients of Australia's VET system
ASQA	Australian Skills Quality Authority
Associate Degree	A qualification under the AQF, which typically takes two years to complete. Graduates at this level have broad theoretical and technical knowledge, with some depth in the underlying principles and concepts in one or more disciplines
Australian Education International	A Commonwealth Government agency established to promote the internationalisation of Australian education and training and to facilitate international government to government co-operation
AVETMISS	Australian Vocational Education and Training Management Information Statistical Standard, which is the mechanism for national reporting in the VET system
Bachelor Degree	A qualification under the AQF, which typically takes three to four years to complete. Graduates at this level have a broad and coherent body of knowledge, with depth in the underlying principles and concepts in one or more disciplines as a basis for independent lifelong learning
Blended learning	An approach to training delivery which incorporates traditional face-to-face training and online training
Certificate	A qualification showing that a student has achieved learning outcomes as described in the AQF. There are four levels of certificates; they range from Certificate I (basic fundamental knowledge and understanding in a narrow area of work and learning) to Certificate IV (broad factual, technical and theoretical knowledge in a specialised field of work and learning)
COAG	Council of Australian Governments
Demand driven funding model	A funding model whereby individuals meeting specific criteria are deemed to be eligible for access to government-subsidised VET programs, with funding then following the choice of the individual (or their employer) to competing providers
Diploma	A qualification under the AQF, which typically takes one to two years to complete. Graduates at this level have technical and theoretical knowledge of concepts, with depth in some areas within a field of work and learning
Doctoral Degree	A qualification under the AQF, which typically takes three to four years to complete. Graduates at this level have a substantial body of knowledge at the frontier of a field of work or learning, including knowledge that constitutes an original contribution and a substantial knowledge of research principles and methods applicable to the field of work or learning
Fee-for-service training	Most or all of the cost of this training is borne by the student or a person or organisation on behalf of the student
FEE-HELP	The Commonwealth Government's income-contingent Higher Education Loan Program that assists eligible fee paying students pay all or part of their tuition fees
FEE-HELP Limit	The maximum amount of FEE-HELP that an individual can claim within their lifetime. In 2013, the FEE-HELP limit is \$93,204
Graduate Certificate	A qualification under the AQF, which typically takes six months to one year to complete. Graduates at this level have specialised knowledge within a systematic and coherent body of knowledge that may include the acquisition and application of knowledge and skills in a new or existing discipline or professional area

SECTION 10: VET GLOSSARY

Term	Meaning
Graduate Diploma	A qualification under the AQF, which typically takes one to two years to complete. Graduates at this level will have advanced knowledge within a systematic and coherent body of knowledge that may include the acquisition and application of knowledge and skills in a new or existing discipline or professional area
Honours	A qualification under the AQF, which is typically completed within one year following a Bachelor Degree, although it may alternatively be embedded in a Bachelor Degree. Graduates at this level have coherent and advanced knowledge of the underlying principles and concepts in one or more disciplines and knowledge of research principles and methods
ICCS	Institute of Counselling and Community Studies
ICSS	International Customer Service Standard
JSA	Job Services Australia
Master's Degree	A qualification under the AQF, which typically takes one to two years to complete; however, a Master's Degree (Extended) typically takes three to four years to complete. Graduates at this level have specialised knowledge and skills for research, professional practice and further learning
MOOC	Massive Open Online Course
NASWD	National Agreement for Skills and Workforce Development
National Partnership Agreement	National Partnership Agreement on Skills Reform
NCVER	National Centre for Vocational Education Research
New course enrolments	The number of individual qualifications and accredited or non-accredited courses that students have enrolled in across the defined group, within the defined period
NSSC	National Skills Standards Council, the body responsible for the development of national standards for regulation of VET for approval by SCOTese
NWDF	National Workforce Development Fund
Qualification	A formal certification awarded in recognition of the successful completion of an educational program. VET qualifications are awarded when a person has satisfied all requirements of the units of competency or modules that comprise an AQF qualification
RTO	Registered training organisation, which is an organisation registered in accordance with VET legislation to deliver and assess nationally recognised training in accordance with the AQTF
Scope	The units of competency, qualifications and accredited courses that an RTO is registered to deliver and assess
SCOTese	Standing Council on Tertiary Education, Skills and Employment
Student numbers	The numbers of individual students enrolled in qualifications, accredited or non-accredited courses across the defined group
TAC	Training Accreditation Council
TAFE institute	Tertiary and Further Education institute; an RTO owned and operated by a state government, or public provider of training
Unique Student Identifier or USI	In April 2012, COAG agreed to the implementation of a specially designed tool called the Unique Student Identifier. From 1 January 2014, it will be a requirement under Commonwealth legislation that RTOs have a valid USI for a student before they issue a qualification or statement of attainment
Units of competency	Units of competency are the building blocks of a qualification. Each unit of competency identifies a distinct workplace requirement or skill needed to perform tasks effectively in the workplace. This can include work knowledge and skills, language, literacy and numeracy, or occupational health and safety requirements
VET	Vocational education and training
VET FEE-HELP	The Commonwealth Government loan scheme that provides assistance for tuition fees to eligible students studying higher level VET qualifications, including Diploma, Advanced Diploma, Graduate Certificate and Graduate Diploma courses
VRQA	Victorian Registration and Qualifications Authority
VTG	Victorian Training Guarantee

SECTION 11

General glossary



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SECTION 11: GENERAL GLOSSARY

Term	Meaning
\$ or A\$	Australian dollar
457 visa	Refers to a Temporary Work (Skilled) visa (subclass 457) which allows skilled workers to work in Australia for up to four years
AASB	Australian Accounting Standards Board
Absolute Partners	Absolute Partners Pty Ltd (ACN 160 128 585)
Ancillary Businesses	Collectively refers to the entities or businesses which will be acquired by Vocation or the Founding Companies either prior to, or contemporaneously with, the acquisition of AVANA and CSIA by Vocation, and includes Student Hub, OzSoft, Antenna Strategic Insights and TTS-100
Antenna Strategic Insights	Antenna Strategic Insights Pty Ltd (ACN 152 406 338)
Applicant	A person who submits an Application or who will receive Shares if the Offer is completed
Application	An application to subscribe for Shares offered under the Offer
Application Form	The relevant application form in relation to the Offer attached to or accompanying this Prospectus, including the online application form available at www.vocationshareoffer.com.au pursuant to which Applicants may apply for Shares
Application Monies	The amount accompanying an Application Form submitted by an Applicant
ASIC	Australian Securities and Investments Commission
Aspin	Aspin Pty Limited (ACN 106 046 682)
ASX	Australian Securities Exchange, as operated by ASX Limited (ABN 98 008 624 691)
ASX Listing Rules	The official listing rules of ASX
ASX Settlement Operating Rules	The rules of ASX Settlement Pty Ltd (ABN 49 008 504 532)
Australian Accounting Standards	Australian Accounting Standards and other authoritative pronouncements issued by the Australian Accounting Standards Board
AVANA	AVANA Group Pty Ltd (ACN 110 198 171) and its subsidiaries
AVANA Founder	Mark Hutchinson
AVANA Sky	Vocation's online VET delivery platform servicing Direct students
BAWM	BAWM Pty Ltd (ACN 078 456 676) and Aspin
BAWM Founders	The BAWM Partners or, as the context requires, the BAWM Partnership
BAWM Group	BAWM Group Pty Ltd (ACN 143 177 673) and its subsidiaries
BAWM Partners	Broadtree Investments Pty Ltd as trustee for the Broadtree Investment Trust, Amasue Investments Pty Ltd as trustee for the Amasue Trust, Jusben Pty Ltd as trustee for the Gillingham Trust, Boncal Investments Pty Ltd as trustee for the Bonnici Family Investment Trust and The Morrissey Corporation Pty Ltd as trustee for the Morrissey Family Trust
BAWM Partnership	The partnership of that name formed by the BAWM Partners and acting through its agent, BAWM Group Pty Ltd (ACN 143 177 673)
BAWM Sale Agreement	The sale agreement between the BAWM Founders and Vocation under which the BAWM Founders sold the entire issued share capital in BAWM Pty Ltd to Vocation in return for being issued approximately 87.5 million Shares
BBSY	Bank bill swap bid rate
bn	Billion
Board or Board of Directors	The board of directors of Vocation
Broker	Any ASX market participant selected by the JLMs to participate in the Broker Firm Offer
Broker Firm Offer	The offer of Shares under this Prospectus to sophisticated and retail investors in Australia who have received a firm allocation from their Broker
Business Day	Has the meaning given in the ASX Listing Rules
CAGR	Compound annual growth rate
Centrelink	A division of the Department of Human Services, which is responsible for providing assistance to individuals at times of major change, including job seekers
CEO	Chief Executive Officer
CFO	Chief Financial Officer

Term	Meaning
CGT	Capital gains tax
Closing Date	The date on which the Broker Firm Offer and the Priority Offer period closes
Commonwealth or Commonwealth Government	The Commonwealth Government of Australia
Company or Vocation	Vocation Limited (ABN 95 166 631 330)
Completion of the Offer	Completion in respect of the allotment (by Vocation) and transfer (by SaleCo) of Shares under the Offer in accordance with the Underwriting Agreement
Constitution	The constitution of Vocation
COO	Chief Operating Officer
Corporations Act	Corporations Act 2001 (Cth)
CSIA	Customer Service Institute of Australia Pty Ltd and its subsidiaries, and CSIA Education Services
CSIA Education Services	CSIA Education Services Pty Limited (ACN 135 651 204)
CSIA Founder	Brett Whitford
Direct	Vocation's Direct business channel, which will be an individual consumer-focused offering, providing training directly to individual students
Director	Each of the directors of Vocation from time to time
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquisition related intangibles. It includes amortisation of capitalised course material development costs and depreciation expenses
EBITDA	Earnings before interest, tax, depreciation and all amortisation expenses
Enterprise	Vocation's Enterprise business channel, which will deliver customised workforce-based training and development solutions to employees of Australian corporate and government clients
Escrow Arrangements	The restrictions on dealing with Shares held at Completion of the Offer by Executive Founders, certain other Vendor Founders, Directors and the CFO during the Escrow Periods, details of which are set out in Section 9.6
Escrow Periods	<p>In relation to Shares held at Completion of the Offer by Executive Founders, certain other Vendor Founders and the Directors, the period from Listing until the first business day after the release of Vocation's:</p> <ul style="list-style-type: none"> ■ FY2015 financial results, at which time 50% of the applicable Shares will be released from escrow; and ■ FY2016 financial results, at which time the remaining 50% of the applicable Shares will be released from escrow. <p>In relation to Shares held at Completion of the Offer by the CFO, the period from Listing until the first business day after the release of Vocation's:</p> <ul style="list-style-type: none"> ■ FY2014 financial results, at which time 50% of the applicable Shares will be released from escrow; and ■ FY2015 financial results, at which time the remaining 50% of the applicable Shares will be released from escrow
Executive Director	A member of the Board of Directors who forms part of Vocation's management
Executive Founders	Wendy Bonnici, Mark Hutchinson, Michael Langtree, Jonathan Smuskowitz and Brett Whitford (or, where the context requires, entities holding Founder Shares on their behalf)
Existing Shares	The Shares held by the BAWM Founders as at the Prospectus Date
Expiry Date	Thirteen months after the Prospectus Date, after which no Shares will be issued on the basis of this Prospectus
Exposure Period	The period specified in section 727(3) of the Corporations Act, being a minimum period of seven days after the Prospectus Date, during which an Application must not be accepted. ASIC may extend this period to no more than 14 days after the Prospectus Date
Financial Information	The Historical Financial Information and Forecast Financial Information
Forecast Financial Information	Pro Forma Forecast Results, Statutory Forecast Results, Pro Forma Forecast Cash Flows and Statutory Forecast Cash Flows
Forecast Period	The financial period ending 30 June 2014

SECTION 11: GENERAL GLOSSARY

Term	Meaning
Founder Shares	The Existing Shares and the Shares to be issued by Vocation to Vendor Founders (other than the BAWM Founders and owners of Aspin) as part consideration for the acquisition of their shares in the Vendor Founding Companies
Founders	The BAWM Founders, the CSIA Founder, the current holders of securities in AVANA and the current shareholders in Student Hub
Founding Companies	AVANA, BAWM and CSIA
FSMA	Financial Services and Markets Act 2000, as amended
FY2011	Actual fiscal year ended 30 June 2011
FY2012	Actual fiscal year ended 30 June 2012
FY2013	Actual fiscal year ended 30 June 2013
FY2014	Fiscal year ending 30 June 2014
FY2014F	Forecast fiscal year ending 30 June 2014
FY2015	Fiscal year ending 30 June 2015
FY2016	Fiscal year ending 30 June 2016
GST	Goods and services tax
H1	First half of the applicable fiscal year
H2	Second half of the applicable fiscal year
Historical Financial Information	Pro Forma Historical Results, Statutory Historical Results, Pro Forma Historical Cash Flows and Statutory Historical Cash Flows
IAR	Investigating Accountant's Report, being the report in respect of the Historical Financial Information and the Forecast Financial Information prepared by the Investigating Accountant, a copy of which is included in Section 8
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
Implementation Agreement	The agreement entered into by the AVANA Founder, the BAWM Founders, the CSIA Founder and Vocation for the purposes of implementing the Merger and preparing for the Offer
Initial Prospectus	The Prospectus dated 18 November 2013 and lodged with ASIC on that date, which this Prospectus replaces
Institutional Investor	Investors who are: <ul style="list-style-type: none"> ■ persons in Australia who are wholesale clients under section 761G of the Corporations Act and either "sophisticated investors" or "professional investors" under sections 708(8) and 708(11) of the Corporations Act, and persons in New Zealand whose principal business is the investment of money or who, in the course of and for the purpose of their business, habitually invest money, pursuant to section 3(2)(a)(ii) of the Securities Act 1978 (NZ), and in either case who are not US Persons and are not acting for the account or benefit of US Persons; ■ institutional investors in certain other jurisdictions, as agreed by Vocation and the JLMs, to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which the Company is willing in its discretion to comply) and that are not US Persons and are not acting for the account or benefit of US Persons; and ■ such other persons as Vocation and the JLMs may agree to be Institutional Investors
Institutional Offer	The invitation to bid for Shares made to Institutional Investors in Australia, and a number of other eligible jurisdictions
IPO	Initial public offer
IT	Information Technology
Johnson Winter & Slattery or JWS	The Australian legal adviser (other than in relation to taxation matters) to Vocation in relation to the Offer and the Merger
Joint Lead Managers or JLMs	Macquarie Capital (Australia) Limited (ACN 123 199 548) and UBS AG, Australia Branch (ABN 47 088 129 613)

Term	Meaning
Listing	The listing of Vocation on ASX following Completion of the Offer
Macquarie Capital	Macquarie Capital (Australia) Limited (ACN 123 199 548)
Material Information	Information concerning Vocation that a reasonable person would expect to have a material effect on the price or value of the Shares
Merger	The merger of the Founding Companies and the Ancillary Businesses
Mitchell Wilson	Mitchell Wilson (ABN 32 265 756 924)
NAB	National Australia Bank Limited (ABN 12 004 044 937)
NDIS	National Disability Insurance Scheme
New Banking Facility	A general purpose facility, in relation to which Vocation has entered into a commitment letter, and the availability of which are conditional on, among other things, Completion of the Offer
Non-Executive Director	A member of the Board of Directors who does not form part of Vocation's management
NPAT	Net profit after tax
NPATA	Net profit after tax but prior to the amortisation of acquisition related intangibles
Offer	The offer under this Prospectus of 75.4 million Shares to be issued by Vocation and 58.6 million Existing Shares to be transferred by SaleCo, which includes the Broker Firm Offer, the Institutional Offer and the Priority Offer, but excludes the Vendor Founder Offer
Offer Period	The period from the Opening Date and ending on the Closing Date
Offer Price	\$1.89 per Share
Officers	Each person who is or has been a director or executive officer of the Company, and such other officers or former officers of the Company or its related bodies corporate as the Directors in each case determine
Official List	The official list of entities that ASX Limited has admitted to and not removed from listing
Opening Date	The date on which the Broker Firm Offer and the Priority Offer period opens
Option Deeds	The four put and call option deeds entered into between Vocation and the Vendor Founders
OzSoft	OzSoft Solutions Pty Limited (ACN 083 795 500)
Performance Rights Plan	The performance rights plan adopted by the Company under which eligible participants can be granted rights to receive Shares on conditions to be determined by the Board
Pitcher Partners	Pitcher Partners Investment Services Pty Ltd (ABN 24 052 941 036)
Priority Offer	The offer of Shares under this Prospectus to an Australian resident who is not in the United States and is not an Institutional Investor or a Broker in Australia invited by Vocation to participate in the Offer up to 1,158,201 Shares in aggregate as described in Section 7.9.7
Pro Forma Forecast Cash Flows	Pro forma consolidated forecast cash flow statement for FY2014
Pro Forma Forecast Financial Information	Pro Forma Forecast Results and Pro Forma Forecast Cash Flows
Pro Forma Forecast Results	Pro forma consolidated forecast income statement for FY2014
Pro Forma Historical Cash Flows	Pro forma consolidated historical cash flow statements for FY2012 and FY2013
Pro Forma Historical Results	Pro forma consolidated historical income statements for FY2011, FY2012 and FY2013
Prospectus	This document, being a prospectus for the purpose of Chapter 6D of the Corporations Act (including the electronic form of this document) and any supplementary or replacement prospectus
Prospectus Date	The date on which a copy of the Initial Prospectus was lodged with ASIC, being 18 November 2013
Prospectus Lodgement	The lodgement of this Prospectus with ASIC
PwC	PricewaterhouseCoopers (ABN 52 780 433 757)
PwCS or Investigating Accountant	PricewaterhouseCoopers Securities Ltd (ACN 003 311 617, ABN 54 003 311 617, the holder of Australian Financial Services Licence No. 244572)

SECTION 11: GENERAL GLOSSARY

Term	Meaning
Q1	First quarter of the applicable fiscal year
Q2	Second quarter of the applicable fiscal year
Q3	Third quarter of the applicable fiscal year
RTO Edge	An outsourced managed services provider for organisations that want to deliver VET programs within the AQF in partnership with an RTO
SaleCo	A.C.N. 166 629 063 Pty Ltd (ABN 28 166 629 063), a special purpose vehicle established to enable the BAWM Founders to sell a portion of their investment in Vocation
Share	A fully paid ordinary share in Vocation
Share Registry	Link Market Services Limited (ACN 083 214 537)
Shareholder	A registered holder of a Share
Solutions	Vocation's Solutions business channel, which will provide outsourced managed services to other VET providers and other ancillary services to third party VET providers, learning and development businesses and industry specialists in Australia
Statutory Forecast Cash Flows	Statutory consolidated forecast cash flow statement for FY2014
Statutory Forecast Results	Statutory consolidated forecast income statement for FY2014
Statutory Historical Cash Flows	Statutory consolidated historical cash flow statements for FY2012 and FY2013
Statutory Historical Results	Statutory consolidated historical income statements for FY2011, FY2012 and FY2013
STIP	Short term incentive plan
Student Hub	Student Hub Pty Ltd (ACN 162 968 238)
Sydney Time	Australian Eastern Standard Time (or Australian Eastern Daylight Time as applicable)
Target Entities	AVANA Group Pty Ltd, Customer Service Institute of Australia Pty Ltd, CSIA Education Services Pty Ltd and Student Hub
TFN	Tax file number
TTS-100	TTS-100 Pty Limited (ACN 092 098 907), which operates under the TTS-100, TTS-100 – The Training Solution and RPLme brands
UBS	UBS AG, Australia Branch (ABN 47 088 129 613)
Underwriting Agreement	The underwriting agreement between Vocation and the Joint Lead Managers, as described in Section 9.14
UNTAMED	Untamed Education Pty Ltd (ABN 66 146 845 847)
US	United States of America
US Person	Has the meaning given to it in Rule 902(k) of Regulation S under the US Securities Act
US Securities Act	United States Securities Act of 1933, as amended
Vendor Founder Application Form	The application form attached to or accompanying this Prospectus and titled Vendor Founder Application Form
Vendor Founder Offer	The offer of Shares under Section 7.2 of this Prospectus to certain Vendor Founders
Vendor Founders	The holders of securities in the Vendor Founding Companies
Vendor Founding Companies	AVANA Group Pty Ltd, Customer Service Institute of Australia Pty Ltd, CSIA Education Services Pty Ltd, Aspin and Student Hub
Vocation or Company	Vocation Limited (ABN 95 166 631 330)

APPENDIX A

Summary of key accounting policies

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CERTIFICATE OF PARTICIPATION
PRESENTED TO
Khadoun Younis-Ali
BAWM GROUP

CERTIFICATE OF PARTICIPATION
PRESENTED TO
Donna Wheeler
BAWM GROUP

CERTIFICATE OF PARTICIPATION
PRESENTED TO
Margaret Galante
BAWM GROUP

APPENDIX A: SUMMARY OF KEY ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the Financial Information are set out below.

a. Basis of preparation

- i. Accounting standards
The Financial Information has been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the Corporations Act. The Financial Information also complies with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

- ii. Historical cost convention
The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

b. Principles of consolidation

- i. Subsidiaries
The Financial Information comprises the pro forma consolidated financial information of Vocation, which includes the assets and liabilities of all subsidiaries of Vocation Limited and the results of all subsidiaries for the relevant year then ended.

Subsidiaries are all entities (including special purpose entities) over which Vocation has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Vocation controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Vocation. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by Vocation.

Intercompany transactions, balances and unrealised gains on transactions between group companies 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 Vocation.

- ii. Employee share trust
Vocation has formed a trust to administer the group's employee share schemes. This trust is consolidated, as the substance of the relationships is that the trust is controlled by the group.

Shares held by the employee share trust are disclosed as treasury shares and deducted from contributed equity.

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the CEO.

d. Foreign currency translation

- i. Functional and presentation currency
Items included in the Financial Information are measured using the currency of the primary economic environment in which Vocation operates ("functional currency"). The Financial Information is presented in Australian dollars, which is Vocation's functional and presentation currency.
- ii. Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

e. Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Vocation recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Vocation's activities as described below. Vocation bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as set out in Section 4.6.1.1.

- i. Service income
Revenue from services is recognised in the accounting period in which the services are rendered. For fixed-price 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.

ii. Interest income

Interest income is recognised using the effective interest method.

f. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where Vocation operates and generates taxable income. 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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability 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 and its wholly-owned subsidiaries have formed a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is Vocation. The head entity, Vocation, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Vocation also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

The tax amounts receivable/payable are due upon request from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising with tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

g. Leases

Leases of property, plant and equipment where Vocation, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Vocation will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Vocation 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.

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APPENDIX A: SUMMARY OF KEY ACCOUNTING POLICIES

h. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by Vocation. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Transaction costs arising on the issue of equity instruments are recognised directly in equity. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquirer over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

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.

i. Impairment of assets

Goodwill and 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 assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets ("cash-generating units"). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j. Cash and cash equivalents

For the purpose of presentation in the Financial Information, cash and cash equivalents include 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

k. Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less 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 uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that Vocation 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 30 days overdue) are considered indicators that the trade receivable is 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.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

l. Investments and other financial assets**Classification**

Vocation classifies its investments at cost.

Impairment

Vocation assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and value-in-use. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

m. Impairment of financial assets

Vocation assesses at each reporting date whether a financial asset or group of financial assets is impaired, or more frequently if events or changes in circumstances indicate they might be impaired.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account.

n. Property, plant and equipment

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

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

o. Intangible assets**i. Goodwill**

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. 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.

ii. IT development and software

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. Amortisation is calculated on a straight-line basis over periods generally ranging from three to 7.5 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 Vocation has an intention and ability to use the asset.

iii. 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 3 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.

iv. Acquired customer contracts and relationships

Acquired customer contracts and relationships are capitalised on acquisition at cost and included in intangible assets. Intangible assets acquired in material business combinations are capitalised at their fair value as determined by an independent valuer. Intangible assets relating to customer contracts and relationships are amortised over their estimated useful lives of up to eight years, using an amortisation method that reflects the pattern of their consumption.

v. Other intangible assets

Other intangible assets acquired separately or in a business combination are initially measured at cost. These include acquired software, licences and course materials. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred. Amortisation is calculated on a straight-line basis over the periods generally ranging from three to eight years.

p. Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

q. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of

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APPENDIX A: SUMMARY OF KEY ACCOUNTING POLICIES

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.

Borrowings are classified as current liabilities unless Vocation has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

r. Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when Vocation has a present legal or constructive obligation as a result of past events, it is probably that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

s. Employee benefits**i. Short-term employee benefit obligations**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

ii. Long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

iii. Retirement benefit obligations

Contributions to defined contribution superannuation funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

iv. Share-based payments

Vocation provides benefits to its employees in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares ("equity settled transactions").

The cost of these equity settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. Fair value is determined using the Black Scholes model and the terms under which the instruments 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.

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 the calculated above less the amounts already charged in previous periods. There is a corresponding entry to equity.

The Performance Rights Plan is administered by the employee share trust; see note (b) (ii). When the options are exercised, the trust transfers the appropriate amount of shares to the employee. The proceeds received net of any directly attributable transaction costs are credited directly to equity.

Under the employee share scheme, shares issued by the employee share trust to employees for no cash consideration vest immediately on grant date. On this date, the market value of the shares issued is recognised as an employee benefits expense with a corresponding increase in equity.

The fair value of deferred shares granted to employees for nil consideration under the short-term incentive scheme is recognised as an expense over the relevant service period, being the year to which the bonus relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in

the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at each reporting date and adjustments are recognised in profit or loss and the share-based payment reserve.

The deferred shares are acquired by the employee share trust on market at the grant date and are held as treasury shares until such time as they are vested; see note (b) (ii).

v. Profit-sharing and bonus plans

Vocation 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 group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

t. **Contributed equity**

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.

u. **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, before or at the end of the reporting period but not distributed at the end of the reporting period.

v. **GST**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables.

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 taxation authority, are presented as operating cash flows.

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Application form

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Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Shares in Vocation. Further details about the Shares are contained in the replacement prospectus dated 27 November 2013 issued by Vocation and SaleCo ("Prospectus"). The Prospectus will expire 13 months after 18 November 2013. While the Prospectus is current, Vocation will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request to persons in Australia.

The Corporations Act prohibits any person from passing onto another person an Application Form in relation to the offer of Shares, unless the Application Form is attached to or accompanies a complete and unaltered copy of the Prospectus (or an electronic copy of this Prospectus). A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. Applications for Shares will only be accepted if made on an Application Form that was attached to or accompanies the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,059 Shares and thereafter in multiples of 265 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the price per Share (\$1.89). Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Vocation will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Vocation and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Vocation's issuer sponsored subregister.
- G** Please enter your telephone number, area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

Declaration: By submitting this Application Form, I/we declare, represent and warrant that this Application Form is completed and lodged in accordance with the Prospectus and subject to the declarations/statements in the Prospectus (including the acknowledgements in Section 9.18 of the Prospectus) and this Application Form, and declare that all declarations, details and statements made by me/us are complete and accurate.

It is not necessary to sign the Application Form. Any Application may be rejected without giving reasons, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured. If your Application Form is not completed correctly, is late or if the accompanying cheque is for the wrong amount, it may still be treated as valid. The decision as to whether to treat your Application as valid, and how to construe, amend or complete it, is final. An Application may be accepted in part only and Applicants may be allocated fewer Shares than the Applicant applied for. The decision on the number of Shares to be allocated to you is final. An Applicant will not, however, be treated as having offered to subscribe for a higher number of Shares than are indicated on the Application Form. The allocation of firm stock to Brokers was determined by the Joint Lead Managers, in agreement with Vocation and SaleCo. It will be a matter for the Brokers as to how they allocate firm stock among their eligible Australian resident retail clients, and they (and not Vocation, SaleCo or the Joint Lead Managers) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant Shares. If an Application Form is rejected, or is accepted in part only, the Applicant will receive a refund of all or part of their Application Monies without interest (as applicable). No refunds pursuant to rounding will be provided.

Lodgement instructions: Applicants who receive a firm allocation of Shares from their Broker should return their completed Application Form and Application Monies to the Broker from whom they received their firm allocation (unless instructed otherwise). The Broker Firm Offer opens at 2:00pm (Sydney Time) on 27 November 2013 and is expected to close at 5:30pm (Sydney Time) on 4 December 2013. Applications must be received by the Broker before 5:30pm (Sydney Time) on the Closing Date or any earlier date as determined by your Broker. Applicants must not return this Application Form to the Share Registry. Neither Link Market Services Limited nor Vocation accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your Application Form, please contact your Broker or the Vocation Offer Information Line on (+61) 1800 285 677 from 8:30am to 5:30pm (Sydney Time) Monday to Friday (Business Days only).

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Broker Firm Offer Application Form

Applicants under the Broker Firm Offer must contact their Broker for information on how to submit this Broker Firm Offer Application Form ("Application Form") and for payment instructions.

This Application Form relates to the replacement prospectus dated 27 November 2013 issued by Vocation Limited ("Vocation" or "Company") and A.C.N. 166 629 063 Pty Ltd ("SaleCo") ("Prospectus") in relation to the initial public offering of shares in Vocation ("Shares"). You must apply for a minimum value of \$2,000 worth of Shares (being at least 1,059 Shares) and in multiples of \$500 worth of Shares thereafter (being at least 265 Shares).

The expiry date of the Prospectus is 13 months after 18 November 2013. This Application Form should be read in conjunction with the Prospectus. Capitalised words used in this Application Form have the meaning given to them in the Prospectus.

If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before completing this Application Form and applying for Shares.

To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by the Prospectus.

Shares applied for Price per Share Application Monies

A at **A\$1.89** **B** A\$

(minimum value of \$2,000 worth of Shares, being at least 1,059 Shares, thereafter in multiples of \$500 worth of Shares, being at least 265 Shares)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C Applicant #1 – Surname/Company Name

Title First Name Middle Name

Joint Applicant #2 – Surname

Title First Name Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

TFN/ABN/Exemption Code – First Applicant Joint Applicant #2 Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level Street Number Street Name

Suburb/City or Town State Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESSE HIN (if you want to add this holding to a specific CHESSE holder, write the number here)

Please note: that if you supply a CHESSE HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESSE, your Application will be deemed to be made without the CHESSE HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G Telephone Number where you can be contacted during Business Hours Contact Name (PRINT)

Cheques or bank drafts should be drawn up according to the instructions given by your Broker.

H Cheque or Bank Draft Number BSB - Account Number

Total Amount **A\$**

LODGEMENT INSTRUCTIONS

The Closing Date of the Broker Firm Offer is 5:30pm (Sydney Time) on 4 December 2013. You must return your Application Form so it is received by your Broker by the deadline set out in their offer to you.

For personal use only

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The Shares to which this Application Form relates are Shares in Vocation. Further details about the Shares are contained in the replacement prospectus dated 27 November 2013 issued by Vocation and SaleCo ("Prospectus"). The Prospectus will expire 13 months after 18 November 2013. While the Prospectus is current, Vocation will send paper copies of the Prospectus, any supplementary document and the Application Form, free of charge on request to persons in Australia.

The Corporations Act prohibits any person from passing onto another person an Application Form in relation to the offer of Shares, unless the Application Form is attached to or accompanies a complete and unaltered copy of the Prospectus (or an electronic copy of this Prospectus). A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. Applications for Shares will only be accepted if made on an Application Form that was attached to or accompanies the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,059 Shares and thereafter in multiples of 265 Shares. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the price per Share (\$1.89). Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title.
- D** Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Vocation will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Vocation and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your Shares will be issued to Vocation's issuer sponsored subregister.
- G** Please enter your telephone number, area code and contact name in case we need to contact you in relation to your Application.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.
- If you receive a firm allocation of Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

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Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

CORPORATE DIRECTORY

VOCATION REGISTERED OFFICE

Suite 1,
31 Chessell Street
South Melbourne VIC 3205

Vocation Offer Information Line

Number: (+61) 1800 285 677

Hours of operation: 8.30am to 5.30pm (Sydney Time)
Monday to Friday (Business Days only)

JOINT LEAD MANAGERS**Macquarie Capital (Australia) Limited**

No. 1 Martin Place
Sydney NSW 2000

UBS AG, Australia Branch

Level 16, Chifley Tower,
2 Chifley Square
Sydney NSW 2000

AUSTRALIAN LEGAL ADVISER**Johnson Winter & Slattery**

Level 25,
20 Bond Street
Sydney NSW 2000

INVESTIGATING ACCOUNTANT**PricewaterhouseCoopers Securities Ltd**

Darling Park Tower 2,
201 Sussex Street
Sydney NSW 2000

AUDITOR**PricewaterhouseCoopers**

Darling Park Tower 2,
201 Sussex Street
Sydney NSW 2000

SHARE REGISTRY**Link Market Services Limited**

Level 12,
680 George Street
Sydney NSW 2000

CO-MANAGERS**Bell Potter Securities Limited**

Level 38, Aurora Place,
88 Phillip Street
Sydney NSW 2000

Macquarie Equities Limited

1 Shelley Street
Sydney NSW 2000

UBS Wealth Management Australia Limited

Level 16, Chifley Tower,
2 Chifley Square
Sydney NSW 2000

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