Ashley Services Group Limited

ABN: 92 094 747 510

Annual Report

For the Year Ended 30 June 2014

Ashley Services Group Annual Report 2014

Chairman’s Review

MR PETER TURNER

THE YEAR IN REVIEW

25 September 2014

I am pleased to present to you my first report as Chairman of Ashley Services Group Limited (**“Ashley Services” or “ASG”**), since listing on the Australian Securities Exchange on the 21 August 2014.

Ashley Services is a diversified company operating in the training and labour hire industries within Australia. Its training business is one of Australia’s largest non-government Vocational Education and Training (**“VET”**) providers and its labour hire business is a leading provider to the warehouse and logistics industries.

First I would like to welcome all our new shareholders who became investors as part of the listing. I have tried to make this first report as informative as possible.

Notwithstanding this, there is some level of duplication of information to that included in the prospectus, lodged with the Australian Securities and Investment Commission on 7 August 2014 (“**Prospectus”**).

Second, I would like to acknowledge the hard work of those involved in the listing process, including our Joint Lead Managers, Canaccord Genuity and Evans & Partners, financial advisers, reporting accountants, Grant Thornton and our corporate lawyers, Norton Rose Fulbright. However, I would like to particularly thank Ross Shrimpton and his hard working executive team for their diligence during the listing process, and at the same time coping with the daily management of the business.

I am pleased to advise that our first reported results for the year ended 30 June 2014 were in-line with that of our pro forma forecasts, which were published in the Prospectus. Full details of the audited pro forma results are included in the Managing Director’s Review.

The Board is extremely pleased with the development Ashley Services business has made, including:

- completing the acquisition of the Integracom business;
- the continued development and extension of new qualifications, including automotive and general trades;
- development of facilities in Queensland to cope with the new demand driven model;
- establishment of the new facilities in Melbourne for various courses;
- growth in the labour division, in particular, the number of major customers; and
- the continued reduction in the level of injury hours for the labour hire division.

Ashley Services will continue with its focus on:

- building its existing relationships with customers;
- increasing the level of cross selling between the labour hire and training divisions; and
- focusing on acquisitions that meet the key criteria of the Board.

This, combined with our strong national presence and increasing customer base, places Ashley Services in a strong position to capitalise and develop its core business. Additionally, the Company‘s conservative statement of financial position allows it to capitalise upon strategic acquisition opportunities.

Chairman's Review

I look forward to the year ahead and the continued success of Ashley Services arising from the momentum created by Ross Shrimpton and his management team prior to the initial public offering. Your Board is excited about the many opportunities that are available to Ashley Services both organically and through acquisition.

Peter Turner
Chairman

Managing Director's Review

MR ROSS SHRIMPTON

MARKET AND RESULTS OVERVIEW

The 2014 financial year has been a rewarding year with many notable achievements. The significant efforts of our management team during the year were realised with a successful initial public offering ("**IPO**") which was completed on the 21 August 2014.

I am pleased to report that the Ashley Services and the various entities acquired after 30 June 2014 (referred to as the "**Pro Forma Group**") achieved the forecast results set out in the Prospectus.

Management of the Group believe the pro forma results are relevant to our stakeholders as it includes the full year performance of entities acquired during the financial year and subsequent to year end. Providing Pro forma results illustrates the performance of the newly established Group.

DISCUSSION ON RESULTS

Statutory result

The year ended 30 June 2014 has seen significant expansion in the Ashley Services labour hire business, contributing to the overall growth in revenues from $106.3 million to $196.7 million or 85%. The key drivers for this growth have been set out in the pro forma discussion below. However, in short, the key areas for growth include the securing of a major logistics customer and general increase in volumes across the board. The platform for these increases was laid some time ago with Ashley Services' deliberate strategy of seeking out large corporate accounts that can deliver high volumes at a reasonable rate.

Despite the growth in revenues, gross margins have declined from 8.3% to 5.9%, reflecting the tight market conditions.

Ashley Services experienced a decline in training revenues by approximately 68%. This decline reflects the movement of training activities to a related company (ASH Pty Limited), which is covered by the discussion in the pro forma section below.

Pro Forma results

The following section is a discussion of the pro forma financial information being that information disclosed in the Prospectus dated 7 August 2014 ("**Prospectus**"). Full details of the pro forma financial information have been set out in the section below titled "Pro forma Financial Information".

Set out below is an overview of the comparison of the pro forma actual versus pro forma prospectus results for FY 2014 and 2013, as set out in the Prospectus:

Managing Director's Review

Table 1: Pro forma FY14 Results Compared to the Prospectus and FY13 Results

	Pro forma Actual FY14[1] (audited) $m	Pro forma Prospectus FY14 (reviewed) $m	Variance to Prospectus %	Pro forma Prospectus FY13 (reviewed) $m	Variance to FY13 %
Revenue	287.1	285.1	+0.7	176.0	+63.1
EBITA[2]	21.9	21.9	-	12.5	+75.2
EBITDA[3]	22.9	22.8	+0.4	13.0	+76.5
NPATA[4]	15.0	15.0	-	8.5	+76.5

Notes:

1. The FY14 Pro forma audited financial results incorporate Ashley Services Group, including Concept Engineering Pty Limited ("**Concept**") and Integracom Unit Trust ("**Integracom**"), as if they were owned by ASG for the whole year. A reconciliation of the statutory financial results to the pro forma results is set out in the section below titled "Pro forma Financial Information".
2. "**EBITA**" is defined to mean earnings before interest, taxes and amortisation.
3. **"EBITDA"** is defined to mean earnings before interest taxes depreciation and amortisation.
4. **"NPATA"** is defined to mean net profit after tax but before amortisation (and related tax impacts).

Despite the demands and time devoted to the IPO, the Pro Forma Group achieved an outstanding result. The key highlights for the Pro Forma Group's results on a Pro forma basis were:

- revenues 63.1% higher than for the 2013 financial year;
- EBITDA was 76.2% higher than for the 2013 financial year; and
- NPATA was also 76.5% higher than for financial year 2013.

Further discussion of the above is as follows:

Labour hire

- labour hire revenues up 62.1% on FY 2013. This increase reflects a number of factors, including:
  - securing of a major new logistics customer which has significantly contributed to the additional hours;
  - general increase in volumes with most key customers;
  - the full year impact of the OneForce acquisition; and
- market conditions remain highly competitive and as a result, we have seen the continued decline in our margin, with EBITDA margin down from 3.3% in FY 2013 to 3.0% in FY 2014.

Training

The training division has shown several positive aspects during the FY 2014, including:

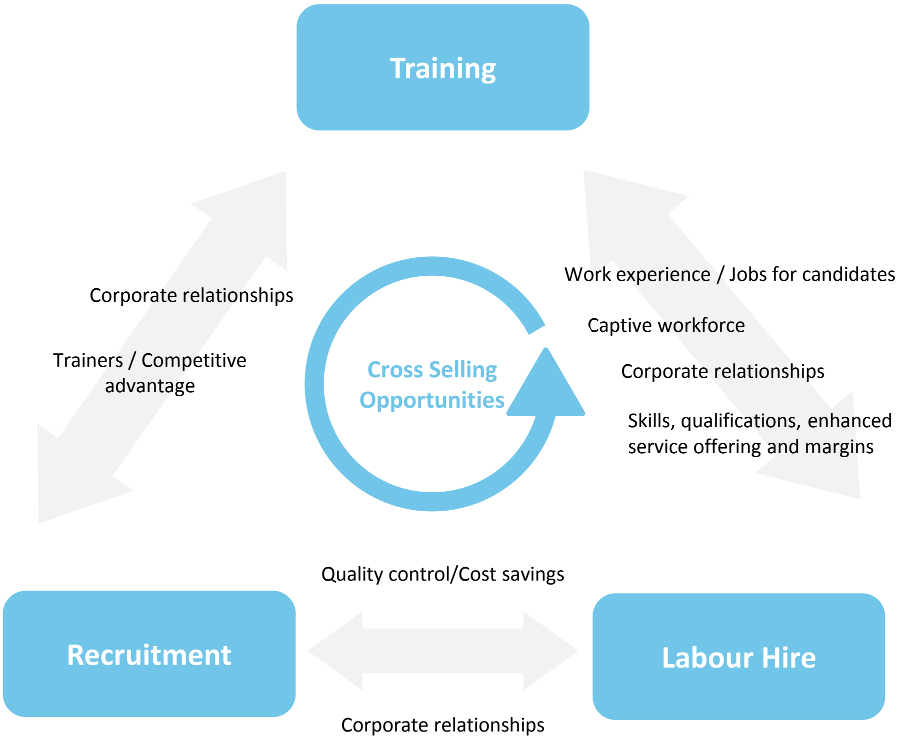
- overall increase in student numbers from approximately 12,000 to approximately 20,000;
- continued growth in the average fee per student from $2,032.50 per student to $2,185.31, reflecting the benefits of the Pro Forma Group's willingness to invest in higher value qualifications and the increased contribution of the telecommunications sector;
- the implementation of the demand driven model (that is, where the student chooses the service training provider) in Queensland, South Australia and Victoria. This model underpins the public sector of the training business; and
- increased enrolment levels arising from the demand driven model, particularly in South Australia and Queensland.

Managing Director's Review

FY 2014 was a period where we have seen an increased level of confidence across our businesses. However, market conditions generally remain highly competitive and the demands for extra value are growing. This is particularly relevant to our labour hire business where conditions have become extremely tight and are decreasing our margins.

In relation to the training division, we have seen an increase in compliance and government activity. Despite this increase in regulation, sufficient funding for training programs across the whole of the business remains in place. It is also interesting to note that despite the "tough" Federal Budget delivered earlier this year, we have not seen any major adverse impacts on funding for training programs. I believe that this reflects the Government's desire to ensure that Australia has a sufficiently well trained workforce.

A key focus of the Pro Forma Group is the integration between our labour hire and training businesses, overlayed with the strong support on quality personnel which is provided by The Blackadder Recruitment business. An overview of this model is set out below:



The Group has also had a focus on ensuring that it has a national footprint and as a result, it expanded to 33 strategically located offices and 63 additional training locations around Australia. I believe that our integrated business model and national presence will allow the Group to cater for larger national customers, placing the Group in a unique position to differentiate ourselves from other industry competitors.

As noted in the Prospectus, recruitment forms part of the Labour Hire segment and they are collectively treated as a single operating segment.

PRO FORMA FINANCIAL INFORMATION

The pro forma financial information has been prepared on the same basis as the pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2014 published in the Prospectus and has been adjusted for the matters detailed in this section.

Managing Director's Review

Results

A discussion on the actual pro forma results versus the pro forma forecasts results as set out in the Prospectus has been set out in the in the proceeding section "Discussion on results". This section is to provide further details of the pro forma and actual results of operating and financial results, statement of financial position and statement of cash flows for the Group.

Below is a comparison of the Pro forma actual results to the pro forma forecasts results in the Prospectus:

Table 2: FY 2014 Actual v Prospectus forecast for FY 2014

$m	30 June 2014[1] Pro forma actual (audited)	30 June 2014[2] Pro forma forecast	Variance
Revenue			
Labour Hire	245.4	243.6	1.8
Training	41.7	41.5	0.2
Total Revenue	**287.1**	**285.1**	**2.0**
EBITDA			
Labour Hire	7.3	7.3	-
Training	16.8	16.8	-
Corporate costs	(1.2)	(1.3)	0.1
Total EBITDA	**22.9**	**22.8**	**0.1**
Depreciation	(1.0)	(0.9)	(0.1)
EBITA	**21.9**	**21.9**	**-**
Amortisation	(0.1)	(0.1)	-
EBIT	**21.8**	**21.8**	**-**
Net Interest Expense	(0.5)	(0.5)	-
Net Profit Before Tax (NPBT)	**21.3**	**21.3**	**-**
Income Tax Expense	(6.4)	(6.4)	-
Net Profit After Tax (NPAT)	**14.9**	**14.9**	**-**
NPATA	**15.0**	**15.0**	**-**

Notes:
1. For details in relation to the pro forma results, please refer to Table 3: Summary of Earnings for FY 2012 to FY 2014
2. As per the Prospectus

Managing Director's Review

Set out below are key statistics relevant to the Group for the years ended 30 June 2012 to 30 June 2014:

Table 3: Summary of Earnings for FY 2012 to FY 2014

$m	30 June 2012 Pro forma[1]	30 June 2013 Pro forma[1]	30 June 2014 Pro forma[1] (audited)
Revenue by Business Channel			
Labour Hire	141.1	151.4	245.4
Training	21.3	24.6	41.7
Total Operating Revenue	**162.4**	**176.0**	**287.1**
EBITDA by Business Channel			
Labour Hire	5.9	5.0	7.3
Training	7.7	8.9	16.8
Corporate	(1.2)	(0.9)	(1.2)
Total EBITDA	**12.4**	**13.0**	**22.9**
EBITA	**12.0**	**12.4**	**21.9**
EBIT	**12.0**	**12.4**	**21.8**
NPBT	**11.0**	**12.0**	**21.3**
NPAT	**8.3**	**8.4**	**14.9**
NPATA	**8.3**	**8.4**	**15.0**
Group Statistics			
Revenue Growth	18.50%	8.40%	63.10%
Gross Profit Margin	19.30%	19.10%	18.10%
EBITDA Margin	7.60%	7.40%	8.00%
EBITDA Growth	(0.30%)	4.80%	76.20%
EBITA Margin	7.40%	7.00%	7.60%
EBITA Growth	(0.40%)	3.30%	76.60%
EBIT Margin	7.40%	7.00%	7.60%
EBIT Growth	(0.40%)	3.30%	75.80%
NPAT Margin	5.10%	4.80%	5.20%
NPAT Growth	0.30%	1.20%	77.40%
Labour Hire Statistics			
Revenue Growth	16.80%	7.30%	62.10%
EBITDA Margin	4.20%	3.30%	3.00%
EBITDA Growth	(21.70%)	(15.30%)	46.00%
Total Hours Charged ('000)	**3,368**	**3,569**	**6,048**
Average Hourly Rate	**$41.89**	**$42.42**	**$40.58**
Training Statistics			
Revenue Growth	31.80%	15.50%	69.50%
EBITDA Margin	36.20%	36.20%	40.30%
EBITDA Growth	29.60%	15.60%	88.80%
Total Enrolments	**9,276**	**12,103**	**19,802**
Average Fee Income per student	**2,296.25**	**2,032.55**	**2,105.85**
Corporate Statistics			
Corporate Expenses	1.20	0.90	1.20
Growth in Corporate Expenses	15.40%	(25.00%)	33.30%

Notes:

Pro forma financial information is inclusive of the following:

1. related companies who were acquired by Ashley Services on 1 July 2014 referred to as the "**ASH Consolidation**"
   - ADV Services Pty Limited;
   - Ashley Institute Holdings Pty Limited;
   - TBRC Holdings Pty Limited;
   - Tracmin Pty Limited; and
   - Australian Institute of Vocational Development Pty Limited.
2. full year results for Concept even though it was acquired part way through the year;
3. On 24 June 2014 the Group also entered into a contract with the owners of Integracom (which was completed on 20 August 2014) and as such, the historical financial performance of the company is included in the above pro forma results.

Managing Director's Review

Set out below is a reconciliation from the statutory revenues to pro forma revenues:

Table 4: Reconciliation from Statutory to Pro forma Revenue

$m	Note	FY14
Statutory Revenue		196.7
Impact of the ASH Consolidation	1	54.2
Impact of acquisitions	2	36.2
Pro forma Revenue		**287.1**

Notes:
1. Revenues from those companies under the ASH Consolidation.
2. On 1 May 2014, ASG acquired 100% of Concept. The Pro forma adjustment in the table represents revenue derived by Concept for the 10 months to 30 April 2014. In addition, it reflects the 12 months revenue from Integracom which was acquired on 20 August 2014.

Set out below is a reconciliation from the statutory EBITDA to pro forma EBITDA:

Table 5: Reconciliation from statutory EBITDA to Pro forma EBITDA

$m	Note	FY14
Statutory EBITDA		4.3
Impact of ASH Consolidation	1	9.8
Impact of acquisitions	2	8.8
Pro forma EBITDA		**22.9**

Notes:
1. The Pro forma EBITDA includes the effects of the ASH Consolidation.
2. The Pro forma EBITDA includes the EBITDA from Integracom and Concept, on the same basis as that outlined in Pro forma revenue set out above.

A reconciliation from the statutory NPAT to pro forma NPAT is also detailed below:

Table 6: Reconciliation from statutory NPAT to pro forma NPAT

$m	Note	FY14
Statutory NPAT		3.0
Impact of the ASH Consolidation	1	6.1
Impact of acquisitions	2	5.8
Pro forma NPAT		**14.9**

Notes:
1. The Pro forma NPAT includes the effects of the ASH Consolidation.
2. The Pro forma NPAT includes the EBITDA from Integracom and Concept, on the same basis as that outlined in Pro forma revenue set out above.

Set out below is the pro forma statement of financial position as at 31 December 2013 in the prospectus compared to the actual pro forms statement of financial position as at 30 June 2014:

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Table 7: FY14 Pro forma statement of financial position

$m	Pro forma Prospectus as at 31 Dec 13 (unaudited)	Pro forma Actual as at 30 Jun 14 (audited)
Cash and Cash Equivalents	18.6	19.1
Trade & Other Receivables	39.4	30.5
Property, Plant & Equipment	3.2	4.7
Deferred Tax Assets	5.8	6.8
Intangible Assets	74.1	73.9
Other Assets	0.6	0.6
Total Assets	**141.7**	**135.6**
Trade & Other Payables	25.5	22.0
Borrowings	22.8	18.8
Current Tax Liabilities	2.8	2.6
Deferred Tax Liabilities	0.7	2.2
Provisions	1.7	1.8
Total Liabilities	**53.5**	**47.4**
Net Assets	**88.2**	**88.2**

Key assumptions in the preparation of pro forma balances:

- those companies identified under the ASH Consolidation for financial reporting purposes as at 30 June 2014;
- Integracom which was only acquired subsequent to year end (the acquisition has been provisionally accounted for the purposes of the pro forma balances);
- issue of 59.5 million shares at $1.66 per share through the initial public offering which was completed on 21 August 2014;
- payment of costs of for the initial public offering of $6.3 million; and
- payment of dividends of $33.2 million to the former sole shareholder of the Company.

Key points to note in relation to the above:

Working capital and capital expenditure

Decline in trade receivables and payables between 31 December 2013 and 30 June 2014 is seasonal – particularly in relation to the Labour Hire business.

Net Debt

Net debt has improved since 31 December 2013 from $4.2 million to a net cash position of $0.3 million. This improvement represents improved cash collections over the last six months. The net debt does not reflect certain professional fees associated with the listing of ASG and these have been paid since balance date. The Pro forma assumed that all professional costs would be paid.

Ashley Services has also entered into a $24 million banking facility with BankWest, which provides for additional liquidity for the Company.

Net Assets

There is no difference in net assets due to the payment of dividends to the vendors, as disclosed in the Prospectus.

Managing Director's Review

Cash flows

Table 8: FY14 Pro forma cash flows

$m	Pro forma Prospectus Forecast FY14 (unaudited)	Pro forma Actual FY14 (audited)
EBITDA	**22.8**	**22.9**
Changes in Working Capital	(6.5)	(1.2)
Operating Cash Flows before CAPEX	**16.3**	**21.7**
Capitalised Course Material Costs and other Payments for Property, Plant & Equipment	(1.6)	(2.2)
Operating Cash Flows after CAPEX	**14.7**	**19.5**
Net Interest Paid	(0.4)	(0.5)
Income Tax Paid	(6.1)	(8.9)
Operating Cash Flows Before Dividends	**8.2**	**10.1**
Cash Conversion Ratio[1]	**64.5%**	**85.2%**

Note:
1. Operating cash flow after capital expenditure as a percentage of EBITDA.

Key points**:**

- Operating cash flow exceeded Prospectus. Factors causing the increase include:
  - improved debtor collections; and
  - focus on cash flow management, including timing of payments to suppliers.
- Greater level of capital expenditure than that included in the Prospectus. Factors causing the increase include:
  - greater than forecasted level of expenditure on course developments to support the organic growth strategy;
  - greater level of equipment purchases for the telecommunication business to support national expansion; and
  - minor over-runs for the head office fit-out.
- Income tax instalments are calculated based on a fixed percentage, as set by the Australian Taxation Office. The actual amount of income tax paid in FY14 is higher than that of the Prospectus, due to the increased revenue from the Labour Hire division where tax has been based on the fixed instalment rate. As a consequence, this has result in an increased amount in tax instalments paid, which was not included in the Prospectus. The additional amount of tax paid is a timing difference.

CAPITAL MANAGEMENT

With the completion of the IPO, Ashley Services has at its disposal substantial cash reserves. These reserves, together with the strong cash flows from the ongoing operations of the Group and the banking facilities with BankWest Limited, places it in a strong position with which to capitalise upon new opportunities.

The Group will continue its focus on working capital management particularly in relation to the labour hire business which is capital intensive. I am pleased to note that despite the substantial increase in the value of labour hire revenues, the Group was able to achieve a cash conversion rate of 85.2% on a Pro forma basis. This was an improvement on the forecast rate of 64.5% that was referenced in the Prospectus.

Managing Director's Review

STRATEGIC FOCUS

Ashley Services has, and will continue to have, a strategic focus on the following:

- developing the number of qualifications with a focus on higher value qualifications. In particular, as noted in the Prospectus, the Group has added 37 new qualifications and 31 existing qualifications were upgraded in the last two years. The Group remains committed to assessing and developing those qualifications which meet the demand and needs nationally. These qualifications continue to attract ongoing targeted and better resourced funding so as to ensure long term sustainability;
- supporting the demand driven model in the various states that have provided this support historically, as well as, New South Wales which implements this model in FY 2015;
- using its integrated model to cross sell between the labour hire and training divisions;
- increasing the level of upskilling in trade qualifications, for example, moving students from Certificate III to Certificate IV;
- continuing focus on developing suitable trainers to ensure the delivery of high quality training;
- cultivating our focus on the apprentice and trades industry personnel;
- focussing on labour hire clients which fit the skill set of the existing business;
- looking to establish new government funding such as VET FEE-HELP; and
- continuing our acquisition strategy for labour hire and training businesses. Target acquisitions complement the existing business model and provide potential operating synergies.

IMPROVED PRODUCTIVITY

The Group is focused on the continued improvement of business processes and is currently looking into automated systems to improve efficiency within the business. Currently, management believe that there is significant reliance on manual processes, which is impacting upon the Group's cost structure.

GROUP TECHNOLOGY STRATEGY

As noted above, the Group is looking to improve its systems. As a result, the Group is looking to undertake a change in its student management systems so as to achieve greater efficiencies in the operation as well as a reduction in the cost base of the Group's business.

KEY BUSINESS RISKS

A detailed listing of the business risks that pertain to the Group is set out in the Prospectus. However, a summary of the key risk areas and the Group's strategy in dealing with these risks are as follows:

Training

- strong focus on quality assurance to ensure that there is compliance with registered training organisation (**"RTO")** audit requirements;
- a significant proportion of the Group's training revenues are government funded. There is a risk that the Group could lose one or more of those funding contracts for breaches of non-compliance. Additionally, a loss of a funding contract, unsuccessful renewal of an existing contract or a reduction in VET funding by any government agency generally or to sectors which the Group operates in, could have a material adverse effect on the Group's earnings and financial position. Accordingly, ensuring diversification of contracts with various state and federal authorities assists with the mitigation of such risks. The Group currently has over 15 funding contracts with various state and federal authorities;
- a number of state governments have implemented or are in the process of implementing a demand driven funding model which allows the student in these states to determine which provider (public or private) will provide training services. This results in the training services provider being subsidised for the delivery of training services. The Group's financial performance could be adversely affected by any reversal or delay in the implementation of the demand driven funding model. The Group constantly monitors the performance and relevance of its content so as to ensure that it remains relevant in the market place. Additionally, the Group uses its integrated model to effect; that is, it offers employment opportunities as part of its trainings services;

Managing Director's Review

- continued focus on ensuring that sufficient attention is given to non-government funded training programs; and
- there a number competitive factors faced by the Group including, quality of qualifications, pricing, perceived reputation and employability of graduates from training programmes. New competitors, consolidation of existing market participants and changes in government policy may all affect the current competitive landscape. The Group monitors the competitive landscape for the above risks and more importantly attempts to be proactive in its market place.

Labour hire

- there are a number of industrial agreements for its contract labour force and failure to renew such agreements could have a material adverse impact on the Group. Where appropriate, suitable enterprise bargaining agreements are entered into with employees and trade unions and these are reviewed and monitored prior to their renewal;
- the market place is highly competitive and price sensitive. The Group constantly reviews it pricing strategy, coupled with synergistic benefits to remain competitive;
- the Group has contracts that have short term notice periods for termination. The Group attempts to manage existing relationships as well as build new relationships to mitigate any loss of contracts
- there is a risk that customers may not renew contracts during the course of the financial year. The Group is focused on ensuring that there is a strong pipeline of new work to both deal with any lost customer and to continue to grow its business; and
- the Group has inherent risks associated with workers compensation and insurance premium. Achieving high safety standards is a focus of the Group. The Group's efforts can be seen by the reduced number of lost work hours over the last three years.

General

- acquisition risks – that is, the risk of acquisitions not being successfully integrating with the current business model;
- economic downturn which may affect both the activity from training and labour hire businesses. The Group attempts to position itself with counter cyclical product and;
- the Group has a number of brands and enjoys strong brand recognition in the market. A failure to maintain these brands could affect the ability to recruit future students and customers. The Group constantly invests in its brands.

STATE FUNDING CONTRACTS

As outlined in the Company's announcement of 18 September 2014, it has been able to successfully remedy a default on one of its minor state funding contracts. As a result the Group is now able to accept enrolments under that funding contract. It is also noted that the Company has no outstanding contractual matters for any other funding contracts held by it. It is not expected that any additional revenue from this contract will be material to the Group's forecast earnings.

OUTLOOK

The Group is looking to build on the work done to date and has published its forecasts for FY 2015 in the Prospectus, a summary of these results is set out below:

Table 9: FY 2015 Results

$m	30 June 2015 Pro forma (forecast) $	30 June 2015 Pro forma (Statutory forecast)
Revenue	319.5	316.5
EBITDA	31.0	25.4
EBIT	29.0	23.5
EBITA	29.7	24.1
NPAT	19.8	15.8
NPATA	20.5	16.4

As at the date of this report, the directors confirm these forecasts.

Ross Shrimpton
Managing Director

Directors' Report

Your Directors present their annual financial report on the consolidated entity, being Ashley Services Group Limited (formerly Ashley Services Group Pty Limited, which became a listed company on 11 April 2014) and its controlled entities ("**Group**") for the financial year ended 30 June 2014.

GENERAL INFORMATION

a. Directors

The names of the Directors in office at any time during, or since the end of the year are:

Names	Appointed / Resigned
Mr Peter Turner	Appointed 21 July 2014
Mr Ross Shrimpton	Appointed 12 October 2000
Mr Simon Crean	Appointed 31 July 2014
Mr Vincent Fayad	Appointed 31 July 2014
Mr Marc Shrimpton	Appointed 1 June 2014, resigned as a Director on 31 July 2014 and appointed as an Alternative Director on 31 July 2014
Mr Andrew Shrimpton	Appointed 1 June 2014 and resigned 31 July 2014

The above named Directors held office since the start of the financial year to the date of this report unless otherwise stated.

Directors' Information

Mr Ross Shrimpton | Managing Director

Qualifications | BComm (UNSW), CA

Experience | Ross is the founder and Managing Director of Ashley Services. Ross has been a Director of the Company since incorporation and has been instrumental in the overall growth and strategic direction of Ashley Services.

He is a Chartered Accountant with over 40 years' experience in finance and management across a number of large international organisations such as CSR / Humes and David Brown. Ross commenced his professional career with Deloitte Touche Tohmatsu, where he worked with a number of major listed companies. Overall, Ross has had 18 years of relevant experience in the labour hire and training industries.

His prime responsibility is centred on the overall performance and management of Ashley Services, as well as strategic direction, liaison with key executives, finance and administration.

Ross is a member of the Remuneration Committee and Audit and Risk Management Committee.

Mr Peter Turner | Non-executive Chairman

Qualifications | BSc (Melbourne), MBA (RMIT)

Experience | Before joining Ashley Services, Peter worked in the biopharmaceutical industry for over 40 years. Peter has held a number of senior positions within CSL Limited, including serving as Chief Operating Officer and Executive Director. Peter was the founding President of CSL Behring, purchased from Aventis in 2004. Between 2000 and 2011, Peter was based in Europe and the United States and was responsible for the integration and performance of several international businesses acquired by CSL. During his tenure, overseas sales grew from $140 million in 2000 to $3.4 billion in 2011. Peter currently sits on the boards of Virtus Health Limited and NPS MedicineWise as a Non-Executive Director. Peter is a graduate member of the Australian Institute of Company Directors.

Peter is chairman of the Remuneration Committee, Audit and Risk Management Committee and a member of the Nomination Committee.

Directors' Report

Mr Simon Crean | Non-executive Director

Qualifications | BEc (Monash), LLB (Monash)

Experience | Prior to joining Ashley Services, Simon was most recently a Member of Federal Parliament and is a former leader of the Australian Labor Party. Simon has held various ministerial portfolios, including Education, Trade, Training, and Workplace Relations.

Simon has served on the boards of Qantas and the Australian Industry Development Corporation. Between 1985 and 1990, Simon was President of the Australian Council of Trade Unions and has also served as General Secretary of the Federated Storemen and Packers Union of Australia.

Simon is a life member of the Australian Labor Party and the National Union of Workers, and an Adjunct Professor of Deakin University.

Simon is currently a member of the Monash University Council and a non-executive director of Linfox International Group. Simon has been awarded a Doctor of Letters by Deakin University.

Simon is chairman of the Nomination Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee.

Mr Vincent Fayad | Executive Director & Interim Chief Financial Officer

Qualifications | BBus (UTS), CA

Experience | Vince is a director of PKF Lawler Corporate Finance Pty Limited and has over 30 years' experience in Chartered Accountancy. Vince holds a Bachelor of Business and is a registered company auditor and tax agent. Vince has advised a broad range of listed and private companies on a number of mergers and acquisitions and undertaken a number of transactions for companies in the recruitment sector, including Initial Public Offers, independent expert reports, valuations and purchase price allocations.

Vince has been an adviser to Ashley Services since incorporation. Vince is currently the acting Chief Financial Officer of Ashley Services.

Vince has a strong background in accounting and finance as well as strategic and corporate issues.

He is currently the Non-executive Chairman of BioProspect Limited and a Non-executive Director of Esperance Minerals Limited. He is also the company secretary of Astro Resources NL.

Mr Marc Shrimpton | Alternate Director to Ross Shrimpton (also a Director during the year)

Qualifications | Marc is currently a member of the Australian Institute of Company Directors. Marc also holds a Diploma of Management and Leadership and Certificate IV in Workplace Training and Assessment. He is currently undertaking the Owner / President Management program at Harvard Business School, Boston.

Experience | Marc joined Ashley Services in 2000. Marc has been the key driver of Blackadder, a professional labour hire and recruitment services business since acquiring the business in 2007. Marc's role with Blackadder has been as the Managing Director. As the business has developed, Marc's role has become more strategic and he has been actively involved in growing the national footprint of the business.

Prior to the acquisition of Blackadder, Marc held a number of positions within Ashley Services, including state manager roles in the Labour Hire and Training business and has over 14 years relevant industry experience.

Marc is actively involved in the recruitment of senior people across Ashley Services and is a key member of the management team.

Directors' Report

Interests in shares and options

As at the date of this report, the interests of the directors in the shares of Ashley Services Group Limited were:

Table 10: Shares Held by Directors

Names	Number of Shares Held	Shareholding %
Mr Peter Turner	186,747	0.12
Mr Ross Shrimpton	82,500,000	55.00
Mr Simon Crean	52,710	0.04
Mr Vincent Fayad	60,240	0.04
Mr Marc Shrimpton	1,500,000	1.00

Directorships of other listed companies

Directorships held in other listed companies by the Directors in the three years immediately before the end of the financial year are as follows:

Table 11: Other Directorships

Name	Company	Date from	Date to
Mr Peter Turner	Virtus Health Limited (ASX: VRT) CSL Limited (ASX: CSL)	17 May 2013 1 January 2010	Current 17 October 2012
Mr Ross Shrimpton	Nil	-	-
Mr Simon Crean	Nil	-	-
Mr Vincent Fayad	Global Strategic Metals NL (ASX: GSZ) Metal Bank Limited (ASX: MBK) BioProspect Limited (ASX: BPO) Esperance Minerals Limited (ASX: ESM) Triple Point Technologies Pty Limited – formerly Qmastor Limited (ASX: QML)	22 March 2012 20 May 2011 29 April 2014 1 February 2013 30 October 2011	29 June 2012 30 October 2012 Current Current Delisted 13 January 2012 & still holds Office
Mr Marc Shrimpton	Nil	-	-
Mr Andrew Shrimpton	Nil	-	-

a. Principal activities

The principal activities of the Group during the financial year were the provision of recruitment, labour hire and training services.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

b. Company secretary

Mr Ross Shrimpton held the position of a company secretary from the beginning of the financial year to 21 July 2014.

The position of company secretary was immediately filled by Mr Ronald Hollands up to the date of this report.

Ron is a qualified Chartered Accountant and holds a Bachelor of Business from University of Technology, Sydney, an MBA from MGSM and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Ron has over 25 years' experience in a range of industries including professional practice, financial services and real estate.

Directors' Report

d. Directors' meetings

During the financial year, three meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Table 12: Meeting Attendance

	Board		Audit & Risk Management Committee		Remuneration Committee		Nomination Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Ross Shrimpton[1]	3	3	-	-	-	-	-	-
Mr Andrew Shrimpton	-	-	-	-	-	-	-	-
Mr Marc Shrimpton	-	-	-	-	-	-	-	-

Note:
1. While Marc and Andrew Shrimpton were Directors for a portion of the year, all meetings during the year were held at the time that Ross Shrimpton was the sole Director of the Company.

1. BUSINESS REVIEW

a. Operating results

The consolidated profit of the Group attributable to equity holders after providing for income tax amounted to $2,989,000 (2013: $2,918,000).

On 6 January 2014 the Group declared and paid a final dividend of $2,500,000 to shareholders (2013: $4,500,000).

b. Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman's Review and the Managing Director's Review.

c. Significant changes in state of affairs

On 1 May 2014 the Group acquired Concept Engineering Pty Limited (refer to note 21(b) for further details). During the financial year there were no other material changes to the Group. However, a number of significant events have arisen since balance date and these include:

- acquisition of a number of related entities which form the "Ashley Services Group";
- initial public offering;
- acquisition of Integracom, a significant provider to the telecommunications industry; and
- securing a funding facility with BankWest.

Note 28 set outs further details of these matters.

d. Future developments

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are referred to generally in the Chairman's Review and the Managing Director's Review.

e. Events subsequent to balance date

Apart from the events which have been detailed in Note 28 of the financial statements, there are no other matters or circumstances that have arisen since the end of the year that have significantly affected either:

- the groups operations in financial year 2015;
- the forecast results of those operations in financial year 2015.

2. OTHER INFORMATION

a. Options

There are no unissued ordinary shares that are either under option at the date of this report or have been exercised during the year.

b. Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid to the auditor (Grant Thornton) for audit and non-audit services provided during the year are outlined in Note 4 to the financial statements.

Directors' Report

The Board of Directors has considered the position and, in accordance with the advice received from the Audit and Risk Management Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence of auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of the non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- the services provided during the year ended 30 June 2014 primarily related to the initial public offering of the Company;
- all non-audit services have been reviewed by the Audit and Risk Management Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants'.

c. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 24 and forms part of this report.

d. Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

e. Indemnifying officers or auditors

Insurance of officers

During the financial year, Ashley Services Group Limited paid a premium to insure the directors and secretaries of the Group and its Australian entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Details of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

f. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

g. Rounding off of amounts

The Group is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' Report and the consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

3. REMUNERATION REPORT – AUDITED

The directors of Ashley Services Group Limited present the remuneration report for Non-executive directors, executive directors and other key management personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

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

- key management personnel;
- principles used to determine the nature and amount of remuneration;
- non-executive Director remuneration;
- details of remuneration;

Directors' Report

- executive service agreements;
- share-based compensation; and
- additional information.

a. Key management personnel

The following persons acted as Directors of the Group or as key management personnel during or since the end of the financial year:

Executive directors:

- Ross Shrimpton;
- Vince Fayad;
- Marc Shrimpton; and
- Andrew Shrimpton.

Non-executive directors:

- Peter Turner; and
- Simon Crean.

Other key management personnel:

- Brett O'Connor (General Manager, Training);
- Paul Rixon (General Manager, Labour Hire);
- Greg Jenkins (General Manager, Finance);
- Ron Hollands (Company Secretary); and
- John Knights (General Manager, Strategy and Business Development, resigned 31 August 2014).

Key management personnel include both the Directors and other key management personnel named above.

b. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

Alignment of shareholders' interest

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high-calibre executives.

Alignment to program participants' interests

- rewards capability and experience;
- provides a clear structure for earning rewards; and
- provides recognition for contribution to the business.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executives and Directors. The Corporate Governance Statement provides further information on the role of this committee.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives; and
- long-term incentives provided in cash and through participation in the Ashley Services Group Performance Rights Share Plan.

The combination of these comprises the executive's total remuneration.

Directors' Report

Base pay

Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience, the broad objective being to pitch fixed remuneration at median market levels.

Base pay is structured as a package, which may be delivered as a mix of cash and other benefits, such as the provision of a motor vehicle, at the executive's discretion. There are no guaranteed base pay increases in any executives' employment contracts.

Short-term incentives

The Board determined there was no short-term incentive plan for the year ended 30 June 2014.

c. Long-term incentive

There were no long term incentive payments made during the year ended 30 June 2014.

d. Non-executive Director remuneration

Non-executive Directors' remuneration are reviewed annually and are determined by the Board based on recommendations from the Remuneration Committee. In making its recommendations, the Remuneration Committee takes into account remuneration paid to other non-executive Directors of companies and where necessary will seek external advice. No remuneration consultants were used during the financial year.

In accordance with the Company's Constitution, the Directors are entitled to receive an annual fee and for participation in board sub-committees. For non-executive Directors fees are not linked to performance.

The company does not operate equity plans for non-executive Directors.

Non-executive Directors are entitled to statutory superannuation. Amounts paid for statutory superannuation are included as part of the Directors' fees. There are no other schemes for retirement benefits for non-executive Directors.

e. Details of remuneration

Details of remuneration of the Directors and other key management personnel of Ashley Services Group are set out in the tables on pages 21 to 22.

The key management personnel of Ashley Services Group are as per page 20. The key management personnel have authority and responsibility for planning, directing and controlling activities of the Group.

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The majority provisions of the agreement relating to remuneration are set out below:

Table 13: Executive and Key Management Personnel Service Agreements

Name	Base Salary $	Term of agreement	Notice Period
Ross Shrimpton	50,000	Unspecified	6 months
Vincent Fayad	Hourly rate for services provided	Unspecified	Not applicable – contractor
Marc Shrimpton	80,000	Unspecified	6 months
Andrew Shrimpton	125,258	Unspecified	1 month
Brett O'Connor	219,600	Unspecified	6 months
Paul Rixon	170,000	Unspecified	6 months
Greg Jenkins	170,000	Unspecified	6 months
John Knights	104,016	Unspecified	6 months
Ron Hollands	Hourly rate for services provided	Unspecified	Not applicable – contractor

Directors' Report

Table 14: 2014 – Remuneration of Key Management Personnel

2014	ST[1] employee benefits		PE[2] benefits	Termination payments	LT[3] employee benefit	Share-based payment	Total[4]	Performance based Remuneration
	Cash salary & fees	Salary non-cash	Super-annuation			Shares & options		
Name	$	$	$	$	$	$	$	%
Non-executive Directors								
Peter Turner	-	-	-	-	-	-	**-**	**-**
Simon Crean	-	-	-	-	-	-	**-**	**-**
Executive Director								
Ross Shrimpton	52,432	-	4,624	-	-	-	**57,056**	**12**
Vincent Fayad[5]	-	-	-	-	-	-	**-**	**-**
Marc Shrimpton	78,611	-	7,111	-	-	-	**85,722**	**7**
Andrew Shrimpton	125,238	-	11,584	-	-	-	**136,822**	**8**
Other key management personnel								
Brett O'Connor	309,995	-	25,525	-	-	-	**335,520**	**35**
Paul Rixon	215,126	14,705	19,900	-	-	-	**249,731**	**32**
Greg Jenkins	154,617	-	15,660	-	-	-	**170,277**	**-**
John Knights	93,867	-	8,663	-	-	-	**102,530**	**-**
Ron Hollands	-	-	-	-	-	-	-	-
Total	**1,029,886**	**14,705**	**93,067**	**-**	**-**	**-**	**1,137,658**	**-**

Table 15: 2013 – Remuneration of Key Management Personnel

2013	ST[1] employee benefits		PE[2] benefits	Termination payments	LT[3] employee benefit	Share-based payment	Total[4]	Performance based Remuneration
	Cash salary & fees	Salary non-cash	Super-annuation			Shares & options		
Name	$	$	$	$	$	$	$	%
Non-executive Directors								
Peter Turner	-	-	-	-	-	-	-	-
Simon Crean	-	-	-	-	-	-	-	-
Executive Director								
Ross Shrimpton	55,000	-	-	-	-	-	55,000	-
Vincent Fayad[5]	n/a	-	-	-	-	-	-	-
Marc Shrimpton	81,157	-	6,921	-	-	-	88,078	**8**
Andrew Shrimpton	125,238	-	11,271	-	-	-	136,509	**8**
Other key management personnel								
Brett O'Connor	191,667	-	18,538	-	-	-	210,205	**19**
Paul Rixon	183,915	14,302	16,547	-	-	-	214,764	**21**
Greg Jenkins	132,478	-	10,123	-	-	-	142,601	**7**
John Knights	-	-	-	-	-	-	-	-
Ron Hollands	-	-	-	-	-	-	-	-
Total	**769,455**	**14,302**	**63,400**	**-**	**-**	**-**	**847,157**	**-**

Note:
1. ST – Short-term. 2. PE – Post-employment. 3. LT – Long-term.
4. Amounts included in the above table include amounts paid to key management from all entities. This includes entities which were acquired by the Group subsequent to year end – refer to note 28.
5. During the year financial advisory fees have been paid to PKF Lawler Corporate Finance (Company in which Vincent Fayad is a Director). These amounts were incurred prior to Vince's appointment as Director and Interim CFO.

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

Directors' Report

Other transactions with key management personnel

Information on share-based payments and other transactions with key management personnel is set out above.

f. Shares held by key management personnel

The number of ordinary shares in the companies during the 2014 reporting period held by each of the groups' key management personnel, including their related parties are set out below:

Table 16: Shares held by Key Management Personnel

2014				
Name	Balance at start of the year	Shares Granted	Shares Purchased	Balance at end of the year
Peter Turner	-	-	-	-
Simon Crean	-	-	-	-
Ross Shrimpton[1]	2,866	-	4	2,870
Vincent Fayad	-	-	-	-
Marc Shrimpton	-	-	-	-
Andrew Shrimpton	-	-	-	-
Brett O'Connor	-	-	-	-
Paul Rixon	-	-	-	-
Greg Jenkins	-	-	-	-
John Knights	-	-	-	-
Ron Hollands	-	-	-	-

Note:

1. This includes shares owned by Catherine Shrimpton (wife of Ross Shrimpton) and their family company

g. Executive service agreements

On appointment to the Board, all non-executive Directors sign a letter of appointment with the Company. The letter summarises the terms including compensation, relevant to the office of Director.

All contracts with executives may be terminated by either party with a notice period as outlined in Table 13 above. Executives are typically restricted for six months after termination from conducting or engaging in competing businesses and from solicitation of customers and employees of the Company.

h. Share-based compensation

Senior Executive Share Plan

The Company established the Performance Rights Share Plan on the 31 July 2014. The Performance Rights Share Plan is intended to provide incentives to attract retain and motivate key executives whose present and potential contributions are important to the success of the Company and its subsidiaries by offering them an opportunity to share in the ownership of the Company. The Performance Rights Share Plan is administered by the Board in its discretion. The terms and conditions of the Preference Rights Share Plan are summarised below.

No Performance Rights shares have been issued during the year.

Should the Directors issue shares under the Performance Rights Share Plan, as required by AASB2, the fair value of the shares issued is determined as the market price at grant date.

Options

There are no options on issue as at the date of this report.

Senior Executive options

No options were issued during the year to the senior executives.

End of audited Remuneration Report.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001*:

Peter Turner

Chairman

Ross Shrimpton

Managing Director

Sydney, 25th September 2014

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of Ashley Services Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ashley Services Group Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 25 September 2014

Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Corporate Governance Statement

This Corporate Governance Statement is effective from 31 July 2014 and was not in effect during the financial year under review.

The Board of Directors (Board) is responsible for the overall corporate governance of the Company and has adopted as a guiding principle that it act honestly, conscientiously and fairly in accordance with the law and in the interests of the shareholders with a view to building sustainable value for them, the Company's employees and other stakeholders in the Company.

The Board has adopted a suite of governance materials which are available in the Corporate Governance section of the Company's website (www.ashleygroup.com.au), under "Investor Centre". The governance materials have been prepared and adopted on the basis that corporate governance procedures can add to the performance of the Company and the creation of shareholder value, and help to engender the confidence of the investment market.

This statement sets out the material governance principles and processes adopted by the Board. The Board supports the Corporate Governance Principles and Recommendations, 2nd edition as released by the ASX Corporate Governance Council (ASX Principles). The Board considers and applies these recommendations to the extent there is sound reason to do so given the circumstances of the Company.

The Board is responsible for the management of the affairs of the Company and its subsidiaries including:

- strategic and financial performance;
- executive management;
- audit and risk management;
- strategic planning;
- corporate governance; and
- performance evaluation.

Directors' attendance at Board and committee meetings this year is set out on page 18. It is noted that Ashley Services was a private company up to 11 April 2014 with a sole director and as such, the quorum for a meeting was one person.

The role of senior management is to manage the Company in accordance with the direction and delegations of the Board and the responsibility of the Board is to oversee the activities of management in carrying out these delegated duties. The Board approves all delegations of authority to Board committees and management.

Senior management is invited to attend Board meetings; however the initial part of each meeting is conducted in the absence of senior management.

Responsibilities reserved for the Board are contained in the Board Charter which is available on the Corporate Governance section of the Company's website. Management is responsible for the day to day operation of the Company in line with Board approved delegations of authority.

Board composition

The number of the Directors (excluding alternate Directors) must be not less than three or more than nine. Since listing on the 21 August 2014, the Board comprised of two non-executive directors and two executive directors. This is not in accordance with the current Board Charter. This is considered to be a temporary situation and will be resolved once a Chief Financial Officer is appointed and Mr Fayad, currently an executive director will become a non-executive director and fulfil the third non-executive director role. As an interim measure, the Chairman has been given a casting vote to ensure that decisions are made based on the non-executive majority.

Independent Directors are those who have the ability to exercise their duties unfettered by any business or other relationship. It is the approach and attitude of each non-executive Director which is critical to determining independence and this must be considered in relation to each Director. Other relevant factors to be taken into account are set out in the Board Charter which is available on the Corporate Governance section of the Company's website.

Corporate Governance Statement

The board review annually the independence of each member of the board, in accordance with the criteria for an "independent" Director, as set out in the Company's Board Charter. It is the attitude and approach of each Director and the ability to bring an independent judgement in Board deliberations that is critical in determining independence of each such member.

A Director may not simultaneously hold the positions of Managing Director and Chairman of the Board. The Chairman is a non-executive independent Director and there is a clear division of responsibility between the Chairman and the Managing Director. The Chairman's role is clearly defined in the Board Charter.

With the exception of the Managing Director, no Director is entitled to hold office for a period beyond three years from re-election, but is eligible for re-election by shareholders. The size and composition of the Board are determined in accordance with the Constitution of the Company. In addition, in accordance with the Board Charter, the Board will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds.

The Board considers that, collectively the Directors have the range of skills, experience and expertise necessary to govern the Company. Details of each Director's skills, experience and expertise relevant to their position and their term in office and details of their attendance at Board and/or Committee meetings are set out in the Directors' Report included in this Annual Report.

The Board Charter also provides that a Director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at the Company's expense, on any matter connected with the discharge of his or her responsibilities. A Director must obtain the approval of the Chairman prior to seeking such advice.

The Board has established a Nomination Committee which is primarily responsible for:

- establishing a criteria for Board memberships, having regard to the desired mix of skills and diversity for the Board;
- periodically assessing the skills required to discharge the Board's duties, having regard to the strategic director of the Company;
- proposing candidates for directorships for consideration by the Board by using a structured approach to identify a pool of candidates and using external experts where necessary, while having regard to the desired composition as stated in the Board Charter; and
- reviewing any retiring Director's performance and recommending to the board whether that Director should be re-appointed.

The committee will consider whether it is necessary and desirable to recruit additional Directors, bearing in mind:

- the mix of skills, experience, expertise and diversity of existing Directors;
- the business and strategic needs of the Company;
- the need to replace Directors before scheduled retirements; and
- the opportunity to obtain the services of particular persons with desirable skills when they are available.

The committee is also responsible for implementing the Selection and Appointment of Directors which can be found on the company's website ("Board Selection Policy").

New Directors are provided with formal appointment letters setting out the key terms and conditions of their appointment, including remuneration. In addition, all senior executives are provided with executive services contracts, which include expectations of their role, term of appointment, termination entitlements and rights and responsibilities.

Details of the Directors, their qualifications, period in office, skills and experiences are detailed in the directors' report.

Corporate Governance Statement

Conflicts of interests

Directors of the Company are required to act in a manner which is consistent with the best interests of the Company as a whole, free of any actual or possible conflicts of interest. If a Director considers there may be a conflict, the Director is required to:

- immediately inform the Board of the potential conflict; and
- abstain from voting on any motion relating to the matter and be absent during all Board deliberations relating to the matter.

The Board Charter, available on the Company's website, provides further detail on managing conflicts of interest.

Board committees

In order to effectively fulfil its duties, the Board has established the following committees:

- the Audit and Risk Management Committee, which is responsible for monitoring and advising the Board on the Company's audit, risk management and regulatory compliance policies and procedures;
- the Remuneration Committee, which is responsible for overseeing the remuneration of the Company; and
- the Nomination Committee, which is responsible for advising the Board on the composition of the Board and its committees, reviewing the performance of the Board, its committees and the individual Directors and advising the Board on its corporate governance policies.

Each committee has a formal charter approved by the Board, outlining its composition, role and responsibilities. These charters are available on the Corporate Governance section of the Company's website.

Audit and Risk Management Committee

The Audit and Risk Management Committee's functions include:

- assisting the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control relating to all matters affecting the Company's financial performance, the audit process, and the Company's process for monitoring compliance with laws and regulations and the Company's Code of Conduct;
- determining the scope of the internal audit function and ensuring its resources are sufficient and used appropriately;
- reviewing of internal audit performance and independence;
- assisting the Board with the adoption and application of appropriate ethical standards and management of the Company and the conduct of the Company's business;
- assisting the Board in supervising the Company's risk management framework (such framework is described under a separate heading "Risk management" later in this Statement); and
- reviewing the adequacy of the Company's insurance policies.

The Audit and Risk Management Committee also monitors the independence of the Company's external auditor. The committee must approve in advance the terms of engagement of the external auditor to perform audit and related work. Any non-audit work to be performed by the external auditor must be approved by the committee and, in doing so, the committee ensures the external auditor's independence and integrity is maintained. The lead engagement audit partners of the Company's external auditor will be rotated from the engagement after five years.

Corporate Governance Statement

The Audit and Risk Management Committee is responsible for reviewing the performance of the external auditors, and the selection and appointment of the external auditor. The committee will recommend to the Board the re-appointment of the current external auditor or a tender process to select a new external auditor.

The committee ensures that it meets with the external auditors, independent of management, and with management independent of the external auditors. The Board has requested that the external auditor attend the 2014 AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

The companies Audit and Risk Management Committee Charter require the committee to consist only of non-executive Directors. The Committee must have a minimum of three members, with the majority of members being independent directors.

Currently the committee includes executive director, Ross Shrimpton. This is considered to be a temporary situation, pending Mr Fayad becoming a non-executive director upon the appointment of the Chief Financial Officer and Mr Ross Shrimpton will at that time cease to be a member. Subsequent to Mr Fayad joining the Audit and Risk Management Committee and any matter that pertains to issues arising during the period of time that Mr Fayad was an executive director, Mr Fayad will abstain from dealing with such matters.

The Audit and Risk Management Committee charter requires the Board to appoint an independent chairperson to the Committee and the Chair is also not to be the Chairperson of the Board. Currently Audit and Risk Management Committee meetings are being chaired by Peter Turner who also chairs the Board. For the reasons noted above, this is considered to be a temporary arrangement and will be rectified in FY 2015.

Remuneration Committee

The Remuneration Committee's functions are to endeavour to ensure:

- that the Board is provided with advice and recommendations regarding an executive and senior executive remuneration policy;
- they review and provide recommendations to the Board with respect to the remuneration packages of senior executives and Executive Directors;
- review and provide recommendations to the Board with respect to incentive schemes;
- provide advice to the Board with respect to Non-executive Directors' remuneration; and
- review and provide recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies.

The committee also reviews and make recommendations to the Board regarding executive and senior management remuneration including, but not limited to, base pay, incentive payments, equity awards and service contracts and identifying any gender based disparities between comparable positions.

The committee may seek such advice from any external parties or professional advice as it may consider necessary or desirable to ensure informed decision making.

The committee will comprise a minimum of three members, with a majority of members being independent directors. The Board of the Company will nominate the Chairman of the committee, who must be an independent Director.

The committee will meet at least three times each year.

A copy of the Remuneration Committee Charter is available on the Corporate Governance section of the Company's website.

Nomination Committee

The Nomination Committee's functions are to;

- provide advice and recommendations to the Board with respect to the appointment and removal of Directors and senior executives;
- develop and maintain a succession plan designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board;

Corporate Governance Statement

- ensuring that the Board is of a size and composition that ensures a range of different skills and perspectives and allows for decisions to be made effectively and expediently;
- facilitating and supervising the election of Directors; and
- evaluate and review of the performance of the Board.

The committee will comprise a minimum of three members, with a majority of members being independent directors. The Board of the Company will nominate the Chairman of the committee, who must be an independent Director.

The committee will meet at least twice times each year.

A copy of the Nomination Committee Charter is available on the Corporate Governance section of the Company's website.

Performance review / evaluation

The Board and Nomination Committee Charters outline the responsibility for the performance review of the Board, the Chairman of the Board and the individual performance of all Directors and senior management.

During the year, the Chairman meets with each Director and assesses the performance of the Board, committees and individual Directors as well as the members of the senior management team. The Chairman of the Audit and Risk Management Committee interviews the Chairman of the Board. The observations from these interviews are to be communicated to and discussed amongst the Board and any actions to improve performance agreed. Due to the short lapse in time since the board has been established, these reviews will be undertaken during the current financial year.

Education and induction

New Directors will undergo an induction process in which they will be given a full briefing on the Company. Where possible, this will include meetings with Directors, key executives, tours of the premises, a Board manual and presentations from management.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. This includes education concerning key developments in the Company and in the industry and environment in which the Company operates.

Independent professional advice and access to the Company's information

Each Director has the right of access to the Company's information and to the Company's executives. Further, the Board collectively and each Director, subject to informing the Chairman, has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, with the approval of the Chairman, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

Each Director also has access to the General Counsel and Company Secretary.

Risk management

The Company has a risk management framework to allow it to achieve its business objectives whilst assisting management and ideally, providing early warnings of risks. The Risk Management Policy, covering both financial and operating risks, documents this framework. The objective of this Risk Management Policy is to:

- encourage appropriate tolerance of risks across all the Company Businesses;
- establish procedures to analyse risks within agreed parameters across all the Company businesses;
- establish appropriate risk delegations and corresponding frameworks across the Company; and
- ensure the Company has in place a risk framework which can measurably react should the risk profile change.

Key components of the Risk Management Policy which bring together a number of procedures and controls within the Company are as follows:

- identification and assessment of all risks;
- monitoring and wherever possible, mitigation of identified risks;

Corporate Governance Statement

- periodic reporting; and
- assessment of effectiveness of the risk management framework.

The Risk Management Policy outlines guidance on the identification of commonly identified risks relevant to Ashley Services Group, such as:

- financial risks;
- operational risks; and
- combined risks.

The Audit and Risk Management Committee regularly reports to the Board about committee activities, issues, and related recommendations. As suggested by Recommendation 7.2 of the ASX Principles, management provides ongoing reporting to the Board through the Audit and Risk Management Committee that indicate that the Company's management of its material business risks is operating satisfactorily.

Attestations by Managing Director and Interim Chief Financial Officer

The Managing Director and the Interim Chief Financial Officer has made the declarations required by section 295A of the Corporations Act and recommended under Recommendation 7.3 of the ASX Principles. In order for the Managing Director and Interim Chief Financial Officer to make the declarations, appropriate attestations were made by management to the Managing Director and Interim Chief Financial Officer.

Continuous disclosure

The Company takes its disclosure obligations seriously and seeks to comply with the spirit as well as the content of the ASX requirements. The Company has adopted a Continuous Disclosure Policy in relation to information disclosures and relevant procedures.

The Policy sets out principles that the Company will apply in relation to the disclosure of material information, including that the Company:

- will not give analysts or other select groups of market participants any material price sensitive non-public information at any time;
- will not generally respond to market rumours and speculation except where:
  - the speculation or rumours indicate that the subject matter is no longer confidential and therefore the exception to disclosure set out in the Listing Rules no longer applies;
  - the ASX formally requests disclosure by the Company on the matter; or
  - the Board considers that it is appropriate to make a disclosure in the circumstances; and
- will only allow authorised company spokespersons to make any public statement on behalf of the Company.

A copy of the Continuous Disclosure Policy is available on the Corporate Governance section of the Company's website.

In accordance with ASX Listing Rule 4.10.17, this Annual Report contains a review of the operations and activities of the Company which are set out on managing director's review and directors' report.

Share Trading Policy

The Company has adopted a Share Trading Policy in line with the updated ASX Listing Rules and Guidance Note issued by the ASX in respect of trading policies to regulate dealings by the Company's executives and non-executive Directors, officers, employees, contractors and consultants (employees). All employees are required to conduct their personal investment activity in a manner that is lawful and avoids conflicts of interest between the employee's personal interests and those of the company and its clients.

The Company is keen to promote shareholder and general market confidence in the integrity of the Company's internal controls and procedures, and to provide guidance on avoiding any breach of the insider trading laws.

A copy of the Securities Dealing Policy is available on the Corporate Governance section of the Company's website and has also been lodged with the ASX on 21 August 2014 as required by the ASX Listing Rules.

Corporate Governance Statement

Code of Conduct

The Company has adopted a written Code of Conduct, which applies to all of the Company's executives and non-executive Directors, officers, contractors and consultants.

The purpose of the Code of Conduct is to ensure that:

- high standards of corporate and individual behaviour are observed by all employees in the context of their employment with the Company;
- employees are aware of their responsibilities to the Company under their contract of employment and always act in an ethical and professional manner;
- legal, ethical and other obligations to legitimate stakeholders are complied with; and
- all persons dealing with the Company, whether it be employees, shareholders, suppliers, clients or competitors, can be guided by the stated values and practices of the Company.

Employees are encouraged to report any potential breaches of the Code and the Company ensures employees are not disadvantaged for any reports made in good faith. The Company will deal with any reports promptly and fairly.

A copy of the Code of Conduct is available on the Corporate Governance section of the Company's website.

Shareholder communication

The Company respects the rights of its shareholders. To facilitate the effective exercise of those rights, the Company has established a Shareholder Communications Policy to:

- promote effective communications with shareholders of the Company;
- ensure all information relevant to their shareholding is disseminated to shareholders; and
- encourage effective participation by shareholders at the Company General Meetings.

The Company will, where practicable, arrange for advance notification of significant group briefings and will also keep a summary record of the issues discussed at briefings with investors and analysts.

The Shareholders Communications Policy is available on the Corporate Governance section of the Company's website.

Diversity Policy

The Company is committed to workplace diversity, with a particular focus on improving the representation of women at the senior level of the Company and the Board, and has adopted a Diversity Policy. The Company recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. With this Policy, the Board also establishes measurable objectives for achieving gender diversity and assesses annually the objectives and progress in achieving them.

The following table reflects the percentage of women employees in the whole organisation, head of business, senior management and the Board:

	%
Whole organisation	61%
Heads of Business	Nil
Senior Management	Nil
Ashley Services Group Board	Nil

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Diversity Policy, which takes into account the recommendations and guidance provided by the ASX Principles to the extent practicable, provides a framework for the Company to achieve:

- a diverse and skilled workforce, leading to continuous improvement in service delivery and achievement of corporate goals;
- a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;

Corporate Governance Statement

- improved employment and career development opportunities for women;
- a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- awareness in all staff of their rights and responsibilities with regards to fairness, equity and respect for aspects of diversity.
- embedding of diversity awareness and objectives into the day-to-day operations of the organisation to become part of the way we do business, through newsletters, conferences and other communication forums with staff;
- retain top talent by ensuring a workplace supportive of female success, through endorsement and delivery of a range of programs, events and policies; and
- ongoing improvement of core talent processes (performance, development and career) to ensure gender-based equity and transparency.

The Diversity Policy is available in the Corporate Governance section of the Company's website.

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

Directors' Declaration

The directors of the Group declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2014 are in accordance with the *Corporations Act 2001* and:
   a. comply with Australian Accounting Standards (including the Australian Accounting Interpretations) as disclosed in Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
   b. give a true and fair view of the financial position and performance of the Group as at 30 June 2014 and for the year then ended;
2. the Managing Director and Interim Chief Financial Officer have given the declarations required by Section 295A that:
   a. the financial records of the Group for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial year comply with the Accounting Standards; and
   c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

....
Peter Turner
Chairman

Sydney, 25th September 2014

Level 17, 383 Kent Street
Sydney NSW 2000

Correspondence to:
Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Ashley Services Group Limited

Report on the financial report

We have audited the accompanying financial report of Ashley Services Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Ashley Services Group Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Other matter

We have audited the Pro Forma Financial Information section included on pages 7 to 12 of the Managing Director's Review, which comprises the Pro Forma Group's financial position as at 30 June 2014, and of its performance for the year ended on that date. This information has been prepared in accordance with the pro forma assumptions included on pages 9 to 11 of the Managing Director's Review.

Report on the remuneration report

We have audited the remuneration report included in pages 19 to 23 of the directors' report for the year ended 30 June 2014. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Ashley Services Group Limited for the year ended 30 June 2014, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 25 September 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the financial year ended 30 June 2014

	Note	2014 $000	2013 $000
Revenue	2	196,719	106,311
Other income	2	565	798
On hired labour and training costs		(181,268)	(93,699)
Employee benefits expense		(7,595)	(5,403)
Occupancy expense		(871)	(756)
Travel expense		(111)	(187)
Advertising and marketing expense		(221)	(225)
Management fees		(557)	(493)
Audit, legal and professional fees	4	(345)	(105)
Insurance expense		(235)	(184)
Depreciation and amortisation expense	3	(349)	(139)
Finance costs	3	(253)	(203)
Consulting fees		(184)	(282)
Other expenses		(1,002)	(1,019)
Profit before income tax		**4,293**	**4,414**
Income tax expense	5	(1,304)	(1,496)
Profit for the year		**2,989**	**2,918**
Other comprehensive income		-	-
Total comprehensive income for the year		**2,989**	**2,918**
Basic earnings per share (cents)	**0**	**104,146.34**	**101,814.38**
Diluted earnings per share (cents)	**0**	**104,146.34**	**101,814.38**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $000	2013 $000
Assets			
Current assets			
Cash and cash equivalents	7	61	367
Trade and other receivables	8	20,655	9,365
Financial assets	9	32,177	-
Other assets	10	473	406
Total current assets		**53,366**	**10,138**
Non-current assets			
Property, plant and equipment	11	1,246	716
Deferred tax assets	13	3,634	1,543
Intangible assets	12	11,499	6,697
Financial assets	9	-	29,679
Total non-current assets		**16,379**	**38,635**
Total assets		**69,745**	**48,773**
Liabilities			
Current liabilities			
Trade and other payables	14	14,581	8,304
Borrowings	15	41,359	-
Other liabilities	16	212	-
Current tax payable	13	2,478	358
Provisions	17	1,109	243
Total current liabilities		**59,739**	**8,905**
Non-current liabilities			
Borrowings	15	-	28,965
Other liabilities	16	180	-
Deferred tax liabilities	13	803	917
Provisions	17	148	153
Total non-current liabilities		**1,131**	**30,035**
Total liabilities		**60,870**	**38,940**
Net assets		**8,875**	**9,833**
Equity			
Share capital	18	3	1,450
Retained Earnings		8,872	8,383
Total Equity		**8,875**	**9,833**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2014

	Share capital $000	Retained Earnings $000	Total $000
2014			
Balance at 1 July 2013	1,450	8,383	9,833
Profit for the year	-	2,989	2,989
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**-**	**2,989**	**2,989**
Transactions with owners in their capacity as owners:			
Dividends paid	-	(2,500)	(2,500)
Repayment of capital	(1,447)	-	(1,447)
Balance at 30 June 2014	**3**	**8,872**	**8,875**
2013			
Balance at 1 July 2012	1,450	9,965	11,415
Profit for the year	-	2,918	2,918
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	**-**	**2,918**	**2,918**
Transactions with owners in their capacity as owners:			
Dividends paid	-	(4,500)	(4,500)
Balance at 30 June 2013	**1,450**	**8,383**	**9,833**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
For the financial year ended 30 June 2014

	Note	2014 $000	2013 $000
Cash from operating activities			
Receipts from customers		208,431	104,194
Payments to suppliers and employees		(206,226)	(97,993)
Interest received		188	495
Finance costs paid		(133)	(93)
Income taxes paid		(2,154)	(2,604)
Total cash inflow from operating activities	21(a)	**106**	**3,999**
Cash flows from investing activities			
Payment for property, plant and equipment		(825)	(444)
Proceeds from sale of property plant and equipment		45	71
Consideration paid for business combination net of cash	21(b)	(3,792)	-
Payment for intangible assets		-	(533)
Net cash outflow from investing activities		**(4,572)**	**(906)**
Cash flows from financing activities			
Net proceeds from external borrowings		1,457	-
Net proceeds of related party borrowings		6,650	3,497
Dividend paid		(2,500)	(4,500)
Repayment of capital		(1,447)	-
Net cash inflow / (outflow) from financing activities		**4,160**	**(1,003)**
Net cash (decrease) / increase in cash and cash equivalents		**(306)**	**2,090**
Cash and cash equivalents at beginning of year		367	(1,723)
Cash and cash equivalents at the end of the year	7	**61**	**367**

The accompanying notes form part of these financial statements.

Table of Contents for the Notes to the Financial Statements

Notes to the Financial Statements

1. ACCOUNTING POLICIES

a. General information

The financial statements for the financial year ended 30 June 2014 cover Ashley Services Group Limited and its controlled entities (the "**Ashley Services**" or the **"Group"**). Ashley Services Group is a public Company listed on the Australian Securities Exchange (trading under the symbol **"ASH"**), incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the consolidated financial statements. The accounting policies have been consistently applied unless otherwise stated.

b. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board. The consolidated financial statements of the Group also comply with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board. The Group is a for-profit entity for the purposes of preparing the financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 25 September 2014.

c. Basis of preparation

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities as disclosed in this note. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In accordance with Class Order 98/100, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

d. Going concern

Despite the Groups net current liability position as at 30 June 2014 the consolidated financial statements have been prepared on a going concern basis. The basis for this assessment is as follows:

- on 1 July 2014, the Group acquired a number of related entities (owned by Mr Ross Shrimpton and Marc Shrimpton and their related family entities) in exchange for scrip. As a consequence of these acquisitions, a number of loans payable eliminate and secondly, these companies are profitable in their own right;
- the Company completed its initial public offering and as a result raised a net $19.0 million comprising of gross proceeds of $98.7 million, less $41.6 million which was paid to the existing shareholders, $31.8 million paid for the acquisition of Integracom and the costs of the IPO of $6.3 million; and
- on the 20 August 2014, the Group acquired the Integracom Unit Trust in exchange for cash, deferred consideration and shares.

The above events have significantly improved the Groups financial position subsequent to the year end. Further details detailing the above and the impact to the financial position of the Group can be found in Note 28 Events after Balance Date.

e. Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to their operations which became mandatory.

The adoption of these Standards has impacted the recognition and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has resulted in no changes to the Group's accounting policies, but has resulted in changes in disclosure.

Notes to the Financial Statements

The Group adopted the following Australian Accounting Standards, together with the relevant consequential amendments arising from related Amending Standards, from the mandatory application date of 1 July 2013:

- AASB 10: Consolidated Financial Statements;
- AASB 11: Joint Arrangements;
- AASB 12: Disclosure of Interests in Other Entities;
- AASB 13: Fair Value Measurement;
- Amendments to AASB 119: Employee Benefits;
- AASB 127: Separate Financial Statements;
- AASB 2011–7: Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards; and
- AASB 2012–10: Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments.

These Standards became mandatorily applicable to the Group from 1 July 2013.

AASB 10 introduces a new definition of control in determining whether an entity should be included within the consolidated financial statements of the parent company. AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements (AASB 127) and AASB Interpretation 112 Consolidation – Special Purpose Entities. These new requirements have the potential to affect which of the Groups investees are considered to be subsidiaries and therefore to change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary unchanged.

Although the first time application of AASB 10 (together with the associated Standards) caused certain changes to the Group's accounting policy for consolidation and determining control, it did not result in any changes to the amounts reported in the Group's financial statements as the "controlled" status of the existing subsidiaries did not change, nor did it result in any new subsidiaries being included in the Group as a consequence of the revised definition.

AASB 11 requires joint arrangements to be classified as either "joint operations" (where the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities) or "joint ventures" (where the parties that have joint control of the arrangement have rights to the net assets of the arrangement). Revised AASB 128 facilitates the application of AASB 11 and incorporates guidance relating to the equity method of accounting. Joint ventures will be required to be accounted for using the equity method under AASB 11. The proportionate consolidation method is no longer permitted.

However, this has not impacted on the Group's financial statements as the Group currently has no joint arrangement.

AASB 12 relates to disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities.

As a result of adopting the new standard, new disclosures have been introduced about the judgements made to determine whether control exists and summarised financial information about certain material joint arrangements and associates. The Group has no equity accounted investments.

The Group has adopted AASB 13: Fair Value Measurement and AASB 2011–8: Amendments to Australian Accounting Standards arising from AASB 13 from 1 July 2013 together with consequential amendments to other Standards. These Standards became mandatorily applicable to the Group from 1 July 2013. AASB 13 sets out a comprehensive framework for measuring the fair value of assets and liabilities and prescribes enhanced disclosures regarding all assets and liabilities measured at fair value.

New disclosures prescribed by AASB 13 that are material to this financial report have been provided in the notes to this financial report. Although these Standards do not significantly impact the fair value amounts reported in the Group's financial statements, the directors have determined that additional accounting policies providing a general description of fair value measurement and each level of the fair value hierarchy, as set out in

Notes to the Financial Statements

Note 26, should be incorporated in these financial statements.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements removes the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3.

The individual disclosures are not required by either AASB 124's international equivalent IAS 24 Related Party Disclosures (which requires only aggregate, rather than individual, amounts of KMP compensation). In addition, the AASB believes that these disclosures are more in the nature of governance and so are better dealt with as part of the Corporations Act 2001.

As a result, the detailed individual KMP remuneration has been removed from Note 6.

AASB 2012–2: Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities and AASB 2012–5: Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle.

These Standards make changes to presentation and disclosure requirements, but did not affect the Group's accounting policies or the amounts reported in the financial statements.

AASB 119: Employee Benefits (September 2011) and AASB 2011–10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011).

These Standards did not affect the Group's accounting policies or the amounts reported in the financial statements, mainly because the Group does not have defined benefit plan assets or obligations and the materiality of the Group's employee leave entitlements balance does not warrant additional disclosure.

f. New Accounting Standard and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).

Applicable for the financial year ended 30 June 2018.

These standards are applicable retrospectively and include revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments.

Once adopted, this standard will affect the Groups' accounting for its available for sale financial assets resulting in fair value gains and losses associated with the instruments being recognised directly in profit or loss.

The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

IFRS 15: Revenue from Contracts with Customers

The standard provides a single standard for revenue recognition and replaces IAS 18 Revenue, IAS 11 Construction Contracts and some revenue related interpretations. The standard establishes a new control based revenue recognition model and changes the basis for deciding whether revenue is to be recognised over time or at a point in time. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contact; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative standalone selling price of each distinct good or service, or estimation approach if no distinct observable prices exists; and recognition of revenue when each performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers.

Additional disclosure, both quantitative and qualitative, is required to enable users to understand the contracts with customers and the significant judgements made in applying the guidance to those contracts.

The effective date for this standard is for annual reporting periods beginning on or after 1 January 2017. The Group will adopt this standard and the amendments from the financial year beginning 1 July 2017. There is expected to be no material impact on the transaction and balances recognised in the financial statements.

AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.

Applicable for the financial year ended 30 June 2015

This standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment. These amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Additional disclosures may be necessary if the Group has impaired assets going forward.

There are no other new and revised accounting standards which are expected to have a material impact on the group.

g. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and result in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are recognised as expenses in the statement of profit or loss and other comprehensive income when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

Subsequent to the year end, on 1 July 2014, the group acquired a number of related entities (see Note 28). This business combination is a common control transaction, as the conditions in AASB 3: Business Combinations (Appendix B) apply, in that all businesses were controlled by the same party before and after the transaction, and the control was not considered transitory.

Therefore, this business combination is scoped out under AASB 3 paragraph 2, and therefore a suitable accounting policy needs to be determined in accordance with the hierarchy in AASB 108: Accounting Policies, Changes in Accounting Estimates and Errors (paragraph 10). This hierarchy looks for a policy that provides users of the financial statements with relevant and reliable information about the financial position and performance of the reporting entity. Therefore an accounting choice is available for the accounting of this business combination. The choice is to either apply the purchase method (applying a fair value approach to the acquisition value) or to apply the pooling of interest method where the combination is recorded at historical book values. Given the continuing control of the businesses, the Directors consider that it is appropriate to use the pooling of interest method to account for the transaction using the historical book values of the acquired assets and

Notes to the Financial Statements

liabilities rather than reassessing these to more subjective and uncertain fair values.

In the 30 June 2015 Annual Report the comparative period for 30 June 2014 will be restated, as if the transaction took place at the beginning of the earliest comparative period being 1 July 2013.

h. Basis of consolidation

The Group financial statements consolidate those of Ashley Services Group Limited and all of its subsidiaries as of 30 June 2014. Ashley Services Group Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

i. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts allowed. All revenue is stated net of the amount of GST. Below are the specific accounting policies adopted by the Group:

Training revenue

Revenue from training courses is recognised in proportion to the stage of completion of the training course.

Labour hire

Labour hire revenue is recognised upon delivery of the service to the customers or in the instance of placement fees at the time the employee has been placed.

Interest revenue

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established, usually on declaration of the dividend / distribution.

Other income

Other income primarily includes administration costs recovered. Revenue is recognised in line with the costs incurred.

j. Intangible assets

Goodwill

Goodwill is initially recognised as the difference between the fair value of consideration, and the fair value of net assets acquired less any accumulated impairment losses.

The value of goodwill is recognised on acquisition of the business.

The Group adopts the full goodwill method. The fair value of the interests in the business is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the interests of the business is recognised in the financial statements.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or group of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of equity include the carrying amount of goodwill related to the entity sold.

Notes to the Financial Statements

Changes in the ownership interest in a subsidiary are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

Customer Relationships

Customer relationships acquired by the group are stated at fair value less accumulated amortisation and impairment losses. Amortisation is charged to the consolidated statement of profit and loss and other comprehensive income on a straight line basis over the estimated useful life.

Useful life of customer relationships recognised is determined to be three to ten years. At year end the groups customer relationships have a remaining useful life of two years and ten months.

Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

k. Tax consolidation

Ashley Services Group Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to head entity. The group notified the Australian Taxation Office that it has formed an income tax consolidation group to apply from 1 July 2003. The income tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income.

Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are

Notes to the Financial Statements

recognised as either a contribution by, or distribution, to the head entity.

l. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with short term borrowings in current liabilities on the balance sheet.

m. Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The recoverability of trade receivables is reviewed on an ongoing basis. Amounts which are determined not to be recoverable are written off by reducing the carrying amount to its recoverable amount, the difference is charged to the statement of profit or loss and other comprehensive income in that period.

A provision for impairment of trade recoverable is recognised when there is objective evidence that the group is unable to collect part or all of the amounts due. Factors such as previous trading relationship, financial position, and probability of recoverability are considered when determining the extent the debtor is impaired.

n. Financial assets

Financial assets mainly consist of loans to directors and are considered non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised costs.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

Interest is charged on loans to directors at arm's length.

o. Plant and equipment

Each class of plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The depreciable amount of fixed assets is depreciated on a straight line basis, over the asset's useful life to the Group commencing from the time the asset is held ready for use.

The annual depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate
Computer equipment	37.50% – 40.00%
Office equipment	20.00%
Furniture and fittings	20.00%
Motor vehicles	18.75 – 30.00%
Training materials	18.75%

In the case of leasehold improvements, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

The carrying amount of plant and equipment is reviewed annually at the end of the reporting period by the Directors to ensure it is not in excess of the recoverable amount of these assets.

The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

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.

Notes to the Financial Statements

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains or losses are recognised immediately in profit or loss.

p. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

q. Employee benefits

Provision is made for the Group's liability for the employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

r. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

s. Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

t. Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired.

The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities, deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell, and its value in use, to the asset's carrying amount. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

u. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

v. GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO.

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 ATO is included with other receivables or payables in the balance sheet.

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 ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

Notes to the Financial Statements

w. Critical accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Business combinations

Management uses valuation techniques in determining the fair value of various element of a business combination. Particularly, the fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

Realisation of deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax losses or credit. Deferred tax liabilities are always provided for in full.

Customer relationships

Customer relationships acquired by the group are initially stated at fair value. Fair value is calculated using the present value technique. Present value is estimated by estimating future cash inflows and discounting at a post-tax rate of 15.6%.

The Group amortises customer relationships over the estimated useful life of the customer relationships recognised. The Group have considered the useful life of the customer contracts to be seven years.

Long service leave provisions

In determining the provision for employees long service leave, consideration is given to the probability an employee may not satisfy vesting requirements. In calculating the provision management assume that employees with a service period of less than five years will not qualify.

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

x. Dividends

A liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

y. Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Notes to the Financial Statements

2. REVENUE AND OTHER INCOME

	2014 $000	2013 $000
Operating activities		
Training revenue	3,033	5,093
Labour hire revenue	193,686	101,218
	196,719	**106,311**
Other income		
Interest received	188	495
Sundry income	75	73
Administration charges recovered	302	230
	565	**798**

3. EXPENSES

Profit before income tax includes the following specific expenses:

	2014 $000	2013 $000
Finance costs		
Interest expense	133	109
Bank fees	120	94
	253	**203**
Depreciation		
Motor vehicles	96	31
Office equipment	138	88
Leasehold improvements	67	20
	301	**139**
Amortisation		
Amortisation of customer contracts and relationships	**48**	-

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Notes to the Financial Statements

4. AUDITOR'S REMUNERATION

	2014 $000	2013 $000
Auditor of the parent entity – Grant Thornton[1]		
Audit or review of financial reports under the *Corporations Act 2001*	30	60
Tax advisory[1]	3	16
Other assurance services[2]	205	-
	238	**76**
Other entities		
In addition to the above, the related entities detailed in Note 22 have also paid fees to the auditor, Grant Thornton and these are as follows:		
Audit or review of financial reports under the Corporations Act 2001	58	52
Tax advisory	30	18
	88	**70**

Note:
1. Trood Pratt was the tax agent and auditor of the parent entity in 2013.
2. Fees in relation to Investigating Accountant services for the initial public offering. These fees have been recognised as a prepayment at 30 June 2014 and will be expensed in FY 2015.

5. INCOME TAX EXPENSE

a. Components of tax expense

	2014 $000	2013 $000
Current tax expense	1,288	1,324
Deferred tax – origination and reversal of temporary differences	22	18
(Over) / Under provision of tax in prior year	(6)	154
Income tax expense	**1,304**	**1,496**

b. Reconciliation of prima facie tax on profit from ordinary activities to income tax expense

	2014 $000	2013 $000
Net profit before tax	4,293	4,414
Prima facie tax expense on net profit from ordinary activities before income tax at 30% (2013: 30%)	1,288	1,324
Add / (less):		
Tax effect of:		
– Amortisation expense on client relationships not deductible	14	-
– Entertainment - Client	15	-
– Entertainment – Other	1	-
– Other (non-allowable) / allowable items	(8)	18
– Over/(under) provision of tax in prior year	(6)	154
Income tax expense	**1,304**	**1,496**

Notes to the Financial Statements

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

6. KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Key management personnel compensation for the year was as follows

	2014 $000	2013 $000
Short-term employee benefits	1,045	784
Post-employment benefits	93	63
Long-term employee benefits	-	-
Total (*)	**1,138**	**847**

* Amounts included in the above table include amounts paid to key management from all entities. This includes entities which were acquired by the Group subsequent to year end – refer to Note 28.

b. Individual director and key management personnel disclosures

Detailed remuneration disclosures are included in the Director's Report. The relevant information can be found in Table 14 of the Remuneration Report on pages 22. The remuneration is also inclusive of all entities which were acquired by the Group subsequent to year end – refer to Note 28.

7. CASH AND CASH EQUIVALENTS

	2014 $000	2013 $000
Cash on hand	6	4
Cash at bank	55	363
	61	**367**

8. TRADE AND OTHER RECEIVABLES

	2014 $000	2013 $000
Current		
Trade receivables (a)	20,384	6,936
Allowance for impairment of trade receivables (b)	(564)	(504)
Other receivables	835	2,933
	20,655	**9,365**

Notes to the Financial Statements

a. The aging of trade receivables (before allowing for impairment of receivables) at year end is detailed below.

	2014 $000	2013 $000
Current	13,712	4,949
Past due 0 – 30 days (not considered impaired)	5,835	1,198
Past due 31 – 60 days (not considered impaired)	97	228
Past due 60+ days (not considered impaired)	176	57
Past due 60+ days (considered impaired (b))	564	504
	20,384	**6,936**

b. The movement in the allowance for doubtful accounts in respect of trade receivables is detailed below.

	2014 $000	2013 $000
Balance at beginning of year	(504)	(272)
Increase in allowance recognised in profit or loss	(60)	(232)
Balance at end of year	**(564)**	**(504)**

9. FINANCIAL ASSETS

	2014 $000	2013 $000
Current		
Director related loans (a)	3,967	-
Loans to related entities (b)	28,210	-
	32,177	**-**
Non-current		
Director related loans (a)	-	5,951
Loans to related entities (b)	-	23,728
		29,679

a. Director loans

Loans to directors are unsecured. Interest is charged on the loan at market rates. The loans have been repaid since balance date.

b. Loans to related entities

All loans are unsecured and non-interest bearing.

Since balance date, with the acquisition by the Group (as set out in note 28) of the various related entities, the loans will no longer be considered an external asset or liability to the consolidated group which makes-up the Group and will be eliminated on consolidation. As a result of the acquisition by the Group, the loans receivable and payable have been re-classified from non-current to current.

Notes to the Financial Statements

10. OTHER ASSETS

	2014 $000	2013 $000
Current		
Prepayments	413	345
Deposits	60	61
	473	**406**

11. PROPERTY PLANT AND EQUIPMENT

	2014 $000	2013 $000
Motor vehicles		
Cost	341	329
Accumulated depreciation	(105)	(66)
	236	**263**
Office equipment		
Cost	1,671	1,185
Accumulated depreciation	(1,108)	(803)
	563	**382**
Leasehold improvements		
Cost	856	445
Accumulated depreciation	(441)	(374)
	415	**71**
Capital works in progress		
Cost	32	-
Accumulated depreciation	-	-
	32	**-**
Total property, plant and equipment	**1,246**	**716**

a. Movement in carrying amounts of property, plant and equipment

2014	Motor vehicles $000	Office equipment $000	Leasehold improvements $000	Capital Work In Progress $000	Total $000
Balance at 1 July 2013	263	382	71	-	716
Additions	106	276	411	32	825
Acquisition through business combination	21	43	-	-	64
Disposals	(58)	-	-	-	(58)
Depreciation expense	(96)	(138)	(67)	-	(301)
Balance at 30 June 2014	**236**	**563**	**415**	**32**	**1,246**

Notes to the Financial Statements

2013	Motor vehicles $000	Office equipment $000	Leasehold improvements $000	Capital Work In Progress $000	Total $000
Balance at 1 July 2012	172	253	89	-	514
Additions	225	217	2	-	444
Disposals	(103)	-	-	-	(103)
Depreciation expense	(31)	(88)	(20)	-	(139)
Balance at 30 June 2013	**263**	**382**	**71**	-	**716**

The Group's property, plant and equipment are encumbered by a fixed and floating charge as security for the group's overdraft facility.

12. INTANGIBLE ASSETS

	2014 $000	2013 $000
Goodwill		
Cost	9,985	6,697
Accumulated impairment (a)	-	-
Net carrying value	**9,985**	**6,697**
Customer relationships		
Cost	1,562	-
Accumulated impairment	-	-
Accumulated amortisation	(48)	-
Net carrying value	**1,514**	**-**
Total intangible assets	**11,499**	**6,697**

a. Impairment tests for goodwill

Goodwill is allocated to training and labour hire cash-generating units (CGUs), being the autonomously operated businesses acquired by the Group. The recoverable amount of the CGUs is determined based on value-in-use calculations.

Management has based the value-in-use calculations on the most recently completed management approved forecast performance for the forthcoming one-year period. Future cash-flows are projected using forecast growth rates for both labour hire and training of 2.0% (30 June 2013: 2.0%) into perpetuity. A pre-tax discount rate of 9.5% for goodwill relating to training and 18.2% for goodwill relating to labour hire (30 June 2013: 9.5% and 18.2% respectively), reflecting the assessed risks associated with the CGU segments, has been applied to determine the present value of the future cash flow projections.

As at 30 June 2014, the Group assessed the recoverable amount of goodwill, and determined that goodwill associated with the Group's CGUs are not impaired. No impairment expense has been recorded.

Notes to the Financial Statements

b. Allocation of goodwill by CGU

2014	Training $000	Labour Hire $000	Total $000
Goodwill	1,258	8,727	9,985

2013	Training $000	Labour Hire $000	Total $000
Goodwill	1,258	5,439	6,697

c. Intangible assets – detailed reconciliation

2014	Goodwill $000	Customer relationships $000	Total $000
Balance at 1 July 2013	6,697	-	6,697
Acquired through business combinations	3,288	1,562	4,850
Amortisation	-	(48)	(48)
Balance at 30 June 2014	**9,985**	**1,514**	**11,499**

2013	Goodwill $000	Customer relationships $000	Total $000
Balance at 1 July 2012	6,164	-	6,164
Acquired through business combinations	533	-	533
Amortisation	-	-	-
Balance at 30 June 2013	**6,697**	**-**	**6,697**

13. TAX BALANCES

	2014 $000	2013 $000
Non-current assets		
Deferred tax assets (a)	3,634	1,543
Current tax liabilities		
Income tax payable	2,478	358
Non-current liabilities		
Deferred tax liabilities (a)	803	917

Notes to the Financial Statements

a. Deferred tax assets and liabilities

Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

2014	Balance at Beginning of the Year $000	Recognised in Other comprehensive income $000	Recognised in Business Combination $000	Recognised in Profit & Loss $000	Balance at End of the Year $000
Current assets					
Trade and other receivables	(765)	-	-	585	(181)
Non-current assets					
Intangible assets	-	-	(469)	14	(454)
Unused tax losses	-	-	91	-	91
Current liabilities					
Trade and other payables	1,272	-	-	1,726	2,998
Provision	119	-	-	258	377
Total	**626**	**-**	**(378)**	**2,583**	**2,831**

2013	Balance at Beginning of the Year $000	Recognised in Other comprehensive income $000	Recognised in Business Combination $000	Recognised in Profit & Loss $000	Balance at End of the Year $000
Current assets					
Trade and other receivables	(389)	-	-	(376)	(765)
Non-current assets					
Property, plant and equipment	(5)	-	-	5	-
Current liabilities					
Trade and other payables	576	-	-	696	1,272
Provision	148	-	-	(29)	119
Total	**330**	**-**	**-**	**296**	**626**

14. TRADE AND OTHER PAYABLES

	2014 $000	2013 $000
Current		
Trade payables	732	366
Accrued expenses	4,066	2,541
GST payable	2,626	2,378
Sundry creditors	7,157	3,019
	14,581	**8,304**

The average credit period on purchases of certain products is 30 days. No interest is charged on trade payables. The group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the Financial Statements

15. BORROWINGS

	2014 $000	2013 $000
Current		
Unsecured liabilities		
Loans from related parties (d)	38,113	-
Secured liabilities		
Bank overdraft (a)	1,540	-
Subordinated facility (b)	1,706	-
	41,359	**-**
Non-current		
Unsecured liabilities		
Loans from related parties (d)	-	28,965

a. Bank overdraft facility

The Group entered into the overdraft facility with the bank on 8 August 2002 and is due to expire on 3 December 2015. The bank has fixed and floating charges over the Group's assets and the property of the ultimate shareholders – refer to Note 24 for details of those shareholders.

b. Subordinated facility

The Group entered into the subordinated facility with the bank on 8 August 2002 and is due to expire on 3 December 2015. The bank has fixed and floating charges over the Group's assets. As set out in note 28, the Group has refinanced its facilities with BankWest and this will result in a change in the use of those facilities.

c. Groups credit facility

	2014 $000	2013 $000
Total facilities at reporting date		
Bank overdraft	4,330	4,330
Subordinated facility	4,535	4,535
	8,865	**8,865**
Used at balance date		
Bank overdraft	1,540	-
Subordinated facility	1,706	-
	3,246	**-**
Unused at balance date		
Bank overdraft	2,790	4,330
Subordinated facility	2,829	4,535
	5,619	**8,865**

Notes to the Financial Statements

d. Loans from related parties

All loans are unsecured and non-interest bearing.

Since balance date, with the acquisition by the Group of the various related entities, the loans will no longer be considered an external asset or liability to the consolidated group which makes-up Ashley Services Group Limited and its controlled entities and will be eliminated on consolidation. As a result of the acquisition by the Group, the loans receivable and payable have been re-classified from non-current to current.

16. OTHER LIABILITIES

	2014 $000	2013 $000
Current		
Vendor earn-out liability (a)	212	-
Non-Current		
Vendor earn-out liability (a)	180	-

a. Vendor earn-out liability

The Vendor earn-out liability comprises the fair value of estimated initial consideration payments which are payable to vendors in relation to the business acquisition of Concept Engineering Pty Limited **("Concept")** on 1 May 2014. These are payable over a period of one to three years post-acquisition.

17. PROVISIONS

	2014 $000	2013 $000
Current		
Employee benefits	1,109	243
Non-current		
Employee benefits	148	153

a. Reconciliation of employee provisions

	2014 $000	2013 $000
Opening balance	396	494
Less: leave taken during the year	(29)	(275)
Add: leave provided for during the year	890	177
Closing balance	**1,257**	**396**

18. SHARE CAPITAL

	2014 $	2013 $
2,870 (2013: 2,866) fully paid ordinary shares	2,877	1,450,002
Nil (2013: 4) fully paid "Z" ordinary shares	-	4
	2,877	**1,450,006**

Notes to the Financial Statements

a. Reconciliation of ordinary shares

Ordinary shares	Number of shares	$
Balance at 1 July 2013	2,866	1,450,006
Return of Capital	-	(1,447,129)
"Z" ordinary shares converted	4	-
Balance at 30 June 2013 and 2014	**2,870**	**2,877**

Ordinary shares confer on their holders the right to participate in dividends declared by the Board. Ordinary shares confer on their holders an entitlement to vote at any general meeting of the Company.

"Z" ordinary shares during the year were refinanced by way of the issue of new ordinary shares.

On 3 July 2013, the Group performed a return of capital to its shareholders at $504.93 per share. A total of $1,447,129 was paid to shareholder in this regard.

Management controls the capital of the Group in order to maintain a debt to equity ratio within pre-determined benchmarks, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The Group's financial liabilities and share capital for the year ended 30 June 2014 and 30 June 2013 are as follows:

	2014 $000	2013 $000
Financial liabilities – Note 26 (d)	56,332	37,269
Ordinary shares	3	1,450

19. EARNINGS PER SHARE

	2014 $000	2013 $000
Net profit after tax	2,989	2,918
Weighted number of ordinary shares outstanding during the year used in calculating basic earnings per share (EPS)	2,870	2,866
Basic earnings per share (cents)	104,146.34	101,814.38
Diluted earnings per share (cents)[1]	104,146.34	101,814.38

Notes:

1. There were no material share issues during the year and no issue of options that would affect the EPS.

Notes to the Financial Statements

20. SEGMENT INFORMATION

Management currently identifies the following segments:

- Labour hire; and
- Training.

These segments are monitored by the Group's management and by the board and strategic decisions are made based on these segment results.

2014	Labour Hire $000	Training $000	Total $000
Revenue			
From external customers	193,686	3,033	196,719
From other segments	-	-	-
Segments revenue	**193,686**	**3,033**	**196,719**
Other income	563	2	565
On hired labour and training costs	(180,267)	(1,001)	(181,268)
Employee benefits expense	(6,477)	(1,118)	(7,595)
Occupancy expense	(701)	(170)	(871)
Travel expense	(91)	(20)	(111)
Advertising and marketing expense	(183)	(38)	(221)
Management fees	(557)	-	(557)
Audit, legal and professional fees	(104)	(3)	(107)
Insurance expense	(235)	-	(235)
Depreciation and amortisation expense	(283)	(66)	(349)
Finance costs	(250)	(3)	(253)
Consulting fees	(387)	(35)	(422)
Other expense	(870)	(132)	(1,002)
Profit before tax	**3,844**	**449**	**4,293**
Unallocated income tax	**-**	**-**	**(1,304)**
Profit after tax	**-**	**-**	**2,989**

Notes to the Financial Statements

2013	Labour Hire $000	Training $000	Total $000
Revenue			
From external customers (a)	101,218	5,093	106,311
From other segments	-	-	-
Segments revenue	**101,218**	**5,093**	**106,311**
Other income	779	19	798
On hired labour and training costs	(92,820)	(879)	(93,699)
Employee benefits expense	(4,167)	(1,236)	(5,403)
Occupancy expense	(583)	(173)	(756)
Travel expense	(93)	(94)	(187)
Advertising and marketing expense	(183)	(42)	(225)
Management fees	(493)	-	(493)
Audit, legal and professional fees	(105)	-	(105)
Insurance expense	(184)	-	(184)
Depreciation and amortisation expense	(99)	(40)	(139)
Finance costs	(201)	(2)	(203)
Consulting fees	(197)	(85)	(282)
Other expense	(848)	(171)	(1,019)
Profit before tax	**2,024**	**2,390**	**4,414**

No segments assets or liabilities are disclosed because there is no measure of segments assets or liabilities regularly reported to Management and to the Board.

a. Information about major customers

Included in revenues from external customers are revenues of $97.7 million (2013: $33.9 million) which arose from sales to 3 (2013: 2) of the Group's customers whose individual revenue exceeds 10% of total revenue in the Labour Hire segment.

There are no customers whose individual revenue exceeded 10% of total revenue in the Training segment in either financial year.

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

Notes to the Financial Statements

21. CASH FLOW INFORMATION

a. Reconciliation of cash flow from operations to profit after income tax

	Note	2014 $000	2013 $000
Profit for the year		2,989	2,918
Cash flows excluded from profit attributable to operating activities			
Non-cash flows in profit			
- depreciation and amortisation expense		349	139
- bad and doubtful debts		-	232
- (gain) / loss on disposal of fixed assets		13	32
Changes in assets and liabilities			
- increase in trade and other receivables	(b)	(7,673)	(1,010)
- increase in other assets		(67)	(1,524)
- increase in deferred tax asset		(2,091)	(736)
- increase in trade and other payables	(b)	4,425	4,418
- increase / (decrease) in employee provisions	(b)	861	(98)
- increase / (decrease) in current tax liabilities	(b)	1,823	(813)
- (decrease) / increase in deferred tax liabilities	(b)	(583)	441
Cash flow from operations.		**106**	**3,999**

b. Acquisition of Concept

On 1 May 2014, the Group acquired 100% of Concept Engineering Pty Limited. Details of this transaction are:

	2014 $000	2013 $000
Cash	4,009	-
Fair value of contingent consideration (Note 26)	392	-
Total purchase consideration	**4,401**	**-**
Cash consideration	(4,009)	-
Amount due under the contract for sale	-	-
Cash acquired	217	
Cash outflow	**(3,792)**	**-**
Assets & liabilities held at acquisition date		
Cash and cash equivalents	217	-
Trade and other receivables	3,675	-
Property, plant and equipment	64	-
Trade and other payables	(1,851)	-
Provisions	(297)	-
Borrowings	(1,788)	-
Deferred tax liability	(469)	
Customer relationships	1,562	
Net identifiable assets	**1,113**	**-**
Goodwill on consolidation	3,288	-
	4,401	**-**

Notes to the Financial Statements

Concept contributed $4,842,000 to revenue, $230,000 to net profit before tax and $161,000 to net profit after tax to the Group's performance. The costs associated with the acquisition of Concept which have been expensed were $58,000.

22. CONTROLLED ENTITIES

Set out below are the controlled entities of Ashley Services:

	Country of incorporation	2014 percentage owned %	2013 percentage owned %
Subsidiaries of Ashley Services Group Limited	Australia	100	100
Action Arndell Park Pty Limited	Australia	100	100
Action Workforce NSW Pty Limited (formerly Action Blacktown Pty Limited)	Australia	100	100
Action Botany Pty Limited	Australia	100	100
Action James NSW Pty Limited	Australia	100	100
Action James (Qld) Pty Limited	Australia	100	100
Action James WCF Pty Limited	Australia	100	100
Action James Mascot Pty Limited	Australia	100	100
ADV1 Pty Limited	Australia	100	100
Action James Parramatta Pty Limited	Australia	100	100
Action James Western Suburbs Pty Limited	Australia	100	100
Action Job Support Pty Limited	Australia	100	100
Action Workforce Pty Limited	Australia	100	100
ADV2 Pty Limited	Australia	100	100
Action Workforce Victoria Pty Limited	Australia	100	100
ADV3 Pty Limited	Australia	100	100
CP Action Electronics Pty Limited	Australia	100	100
CP Action Workforce Pty Limited	Australia	100	100
CP Med-WH Pty Limited	Australia	100	100
ADV4 Pty Limited	Australia	100	100
ECA Chullora Pty Limited	Australia	100	100
ADV5 Pty Limited	Australia	100	100
ADV6 Pty Limited	Australia	100	100
ECA Plastics Pty Limited	Australia	100	100
Executive Careers Australia Pty Limited	Australia	100	100
ADV8 Pty Limited	Australia	100	100
James Personnel Pty Limited	Australia	100	100
ADV7 Pty Limited	Australia	100	100
James Warehousing Pty Limited	Australia	100	100
National Institute of Training (NSW) Pty Limited	Australia	100	100
Vocational Training Australia Pty Limited	Australia	100	100
Precast Concrete Labour Pty Limited	Australia	100	100
Action Workforce AC Pty Limited	Australia	100	100
Action Workforce ACT Pty Limited	Australia	100	100
Action Workforce BAX1 Pty Limited	Australia	100	100

Notes to the Financial Statements

	Country of incorporation	2014 percentage owned %	2013 percentage owned %
Action Workforce CAT Pty Limited	Australia	100	100
Action Workforce COLI Pty Limited	Australia	100	100
Action Workforce COS1 Pty Limited	Australia	100	100
Action Workforce COT Pty Limited	Australia	100	100
Action Workforce IMT Pty Limited	Australia	100	100
Action Workforce LIN1 Pty Limited	Australia	100	100
Action Workforce OS Pty Limited	Australia	100	100
Action Workforce OSI 1 Pty Limited	Australia	100	100
Action Workforce OST Pty Limited	Australia	100	100
Action Workforce T1 Pty Limited	Australia	100	100
Action Workforce T2 Pty Limited	Australia	100	100
Action Workforce VAPS Pty Limited	Australia	100	100
Action Workforce VER1 Pty Limited	Australia	100	100
Action Workforce VM Pty Limited	Australia	100	100
Action Workforce VPN Pty Limited	Australia	100	100
Action Workforce VPS Pty Limited	Australia	100	100
ADV9 Pty Limited	Australia	100	100
Advance BGT Pty Limited	Australia	100	100
Action MMX Pty Limited	Australia	100	100
Action WA Pty Limited	Australia	100	100
Advance BW Pty Limited	Australia	100	100
Advance GW Pty Limited	Australia	100	100
Advance KM Pty Limited	Australia	100	100
Advance LLA Pty Limited	Australia	100	100
Advance LSA Pty Limited	Australia	100	100
Advance Man Pty Limited	Australia	100	100
Advance MIX Pty Limited	Australia	100	100
Advance TR Pty Limited	Australia	100	100
Advance WL Pty Limited	Australia	100	100
Advance WLE Pty Limited	Australia	100	100
Advance WLT Pty Limited	Australia	100	100
Advance WMAM Pty Limited	Australia	100	100
Advance WMLF Pty Limited	Australia	100	100
Advance WMPM Pty Limited	Australia	100	100
Advance Exchange Pty Limited*	Australia	100	0
Concept Engineering (Aust) Pty Limited**	Australia	100	0
Concept Employment (Aust) Pty Limited**	Australia	100	0

* Advance Exchange Pty Limited was a company incorporated on 25 July 2013.

** Concept entities were acquired on 1 May 2014.

Notes to the Financial Statements

23. PARENT ENTITY DISCLOSURES

a. Financial position

	2014 $000	2013 $000
Assets		
Current assets	92	92
Non-current assets	283	1,730
Total assets	**375**	**1,822**
Liabilities		
Current liabilities	369	369
Non-current liabilities	-	-
Total liabilities	**369**	**369**
Net assets	**6**	**1,453**
Equity		
Share capital	3	1,450
Retained earnings	3	3
Total equity	**6**	**1,453**

b. Statement of profit or loss and other comprehensive income

	2014 $000	2013 $000
Profit for the year	2,500	4,500
Other comprehensive income	-	-
Total comprehensive income	**2,500**	**4,500**

c. Contingent liabilities of the Parent Entity

The Parent entity had no contingent liabilities as at 30 June 2014.

d. Commitments for expenditure for the Parent entity

The Parent had nil committed expenditure as at 30 June 2014 (30 June 2013: nil).

24. RELATED PARTY TRANSACTIONS

a. Parent company

There is no ultimate parent company for Ashley Services Group Limited. However, Ashley Services is a company that is ultimately controlled by Mr and Mrs Ross and Catherine Shrimpton and their company – Action James Holdings Pty Limited.

b. Transactions with related entities

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Notes to the Financial Statements

Transactions with related parties are as follows:

	2014 $000	2013 $000
Rent paid or payable to Shrimpton Family Holdings Pty Limited as trustee for the Shrimpton Family Trust, an entity which is controlled by Mr Ross Shrimpton for the head office at Arndell Park, New South Wales	89	86
Loan balances to entities associated with Mr Ross Shrimpton. The loans are unsecured and subject to interest. The loans were repaid on 1 July 2014, via the payment of a dividend	1,317	4,882
Interest on the loans to Mr Ross Shrimpton	181	487
Loan balances from entities associated with Mr Ross Shrimpton. These are unsecured and non-interest bearing loans. These loans have effectively been extinguished as a result of the restructure which occurred since balance date – refer to note 28 for further details.	36,613	28,965
Administration charge from entities associated with Mr Ross Shrimpton. These amounts are charged to the group on a cost recovery basis.	302	230
Administration charge to entities associated with Mr Ross Shrimpton. These amounts are charged to these entities on a cost recovery basis.	546	493

25. SECURED AND CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2014

For assets pledged as security for borrowing facilities see Note 15.

26. FINANCIAL INSTRUMENTS

a. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statement.

b. Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial management framework. The Board has an established Audit and Risk Management Committee which is responsible for developing and monitoring the Group's financial management policies. The committee provides regular reports to the Board of Directors on its activities.

The Audit and Risk Management Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The main risks arising from the Group's financial instruments are market risk (including fair value interest rate risk), credit risk and liquidity risk. The Board reviews and approves policies for managing each of these risks.

The Board has yet to approve the principles on interest risk, credit risk, the use of financial derivatives and non-derivate financial instruments, and the investment of excess liquidity and this will be done after year end. The Audit and Risk Management Committee oversees how management monitors compliance with risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purpose.

Notes to the Financial Statements

c. Market risk

Interest rate risk

The Group is exposed to interest rate risk associated with borrowed funds at floating interest rates. During the financial year, risks associated with interest rate movements were monitored by the Board; however, no hedging instruments were considered necessary to manage the risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the effect on the Group would be as follows:

	2014 $000	2013 $000
Change in profit		
Increase in interest rates of 1%	(32)	4
Decrease in interest rates of 1%	32	(4)
Change in equity		
Increase in interest rates of 1%	32	(4)
Decrease in interest rates of 1%	(32)	4

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The carrying value of trade receivables recorded in the financial statements, net of any impairment allowances, represents the Group's maximum exposure to credit risks.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited because the counter parties are reputable banks with high quality external credit ratings.

The maximum credit risk exposure of financial assets is their carrying amount in the financial statements.

d. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Managing Director and Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

Notes to the Financial Statements

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and the reserve borrowing facilities by continuously forecasting the comparing actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in Note 15 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

Financial liabilities

2014	Weighted average effective interest rate %	Within 1 year $000	1 to 5 years $000	Over 5 years $000	Total $000
Trade and other payables	n/a	14,581	-	-	52,694
Borrowings – bank	6.87%	3,246	-	-	3,245
Borrowings – related party loans		38,113			
Other liabilities – Vendor earn-out	n/a	212	180	-	392
Total		**56,152**	**180**	**-**	**56,332**

2013	Weighted average effective interest rate %	Within 1 year $000	1 to 5 years $000	Over 5 years $000	Total $000
Trade and other payables	n/a	8,304	-	-	8,304
Borrowings – bank	n/a	-	-	-	-
Borrowings – related party loans	n/a	-	28,965	-	28,965
Other liabilities – Vendor earn-out	n/a	-	-	-	-
Total		**8,304**	**28,965**	**-**	**37,269**

Fair value of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- level 1 – the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;
- level 2 – the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- level 3 – the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Notes to the Financial Statements

The valuation used for instruments categorised as Level 2 and 3 are described below:

Contingent consideration (level 3).

Under the terms of the transaction with the vendors of Concept, there were two earn out payments, which are subject to revenue targets and client retention.

The fair value of contingent consideration related to the acquisition of Concept (see Note 21(b)) is estimated using the present value technique. The $392,488 fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 6%. The probability-weighted cash outflows before discounting are $450,000 and these cash flows have been subject to the following probabilities:

- 100% probability for the first tranche of the contingent consideration will be achieved; and
- 90% probability for the second tranche of the contingent consideration will be achieved.

The discount rate used of 6%, based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

27. OPERATING LEASE COMMITMENTS

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2014 $000	2013 $000
Leases as lessee		
Less than one year	482	342
Between one and five years	239	148
Total	**721**	**490**

The Group leases a number of offices under operating leases. The leases run over varying periods, some with option periods. Some of the leases have fixed rate rental periods, and some have market rate rental adjustments.

28. EVENTS AFTER THE BALANCE DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, except for the following:

1. the Group acquired the following related entities (owned by Ross Shrimpton and Marc Shrimpton and their related family entities – referred to as the "**ASH Consolidation**"):
   - ADV Services Pty Limited;
   - Ashley Institute Holdings Pty Limited;
   - TBRC Holdings Pty Limited;
   - Tracmin Pty Limited; and
   - Australian Institute of Vocational Development Pty Limited;
2. on the 20 August 2014, the Group completed the acquisition of the Integracom Unit Trust. The consideration payable in relation to this acquisition comprised of:

Notes to the Financial Statements

- $30.0 million of cash;
- shares in the Company valued at $10.0 million (representing 6.024 million new shares in Ashley Services at $1.66 per share);
- plus profits for the period from 1 July 2014 up to the date of completion estimated to be $1.8 million; and
- a deferred consideration component amounting to $15 million which is payable over three years based on certain performance criteria being met. The fair value of the deferred consideration has been assessed to have present value of $13.4 million;

3. on the 21 August 2014, the Company completed its initial public offering. The effect of the offering was that the Company issued 59.5 million new shares at a price of $1.66 per share; and
4. established a $24.0 million facility with BankWest Limited.

These significant events post balance date, combined with the acquisition of Concept which occurred 1 May 2014 has significantly altered the financial position of the Group.

29. EMPLOYEE SHARE RIGHTS PLAN

No employee Share Performance Plan existed as at 30 June 2014. The Company intends to implement a performance rights share plan for its executives in financial year 2015.

30. DIVIDENDS

a. Ordinary shares

	2014		2013	
	Cents per share	Total $000	Cents per share	Total $000
Ordinary shares				
Final Dividend (fully franked)	87,229.59	2,500	157,013.26	4,500

b. Franking credits

	2014 $000	2013 $000
Franking credits available for subsequent financial years based on a tax rate of 30% (2013: 30%)	6,675	5,939

The balance of the franking accounts includes:

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

ASX Additional Information

Set out below is additional information as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report. This information is effective as at 19 September 2014.

Number of security holders and securities on issue

Quoted equity securities

Ashley Services has on issue 150,000,000 fully paid ordinary shares which are held by 585 shareholders.

Voting rights

Quoted equity securities

The voting rights attached to fully paid ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

Distribution of security holders

Quoted equity securities

Ordinary fully paid ordinary shares

Holding	Number of shareholders	Number of shares	%
1 – 1,000	143	135,777	0.09
1,001 – 5,000	126	272,667	0.18
5,001 – 10,000	81	607,708	0.41
10,001 – 100,000	195	5,726,013	3.82
100,001 and over	40	143,257,835	95.50
Total	**585**	**150,000,000**	**100.00**

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of Fully Paid Ordinary shares is 5 with a total number of shares held is 512.

Substantial Shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully Paid Ordinary Shares

Name	Number	%
Ross Shrimpton and his related entities. Note all shares are subject to a two year voluntary escrow period commencing 20 August 2014.	88,524,096	59.0

Unquoted equity securities

There are no unquoted shares.

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders

Fully paid ordinary shares

Details of the 20 largest shareholders of quoted securities (grouped) by registered shareholding are:

ASX Additional Information

Name	Number of shares	%
Mrs Catherine Shrimpton	60,858,282	40.57%
Action James Holdings Pty Limited	21,631,861	14.42%
National Nominees Limited	13,019,837	8.68%
HSBC Custody Nominees (Australia) Limited	11,918,277	7.95%
Holmes Management Group Pty Ltd	6,024,096	4.02%
Australian Foundation Investment Company Limited	4,819,277	3.21%
BNP Paribas Noms Pty Ltd	3,223,788	2.15%
J P Morgan Nominees Australia Limited	3,195,300	2.13%
UBS Nominees Pty Ltd	2,575,577	1.72%
AMP Life Limited	2,219,428	1.48%
Mr Marc Shrimpton	1,500,000	1.00%
Mirrabooka Investments Limited	1,445,783	0.96%
Citicorp Nominees Pty Limited	1,435,967	0.96%
Brispot Nominees Pty Ltd	1,418,796	0.95%
Citicorp Nominees Pty Limited	999,160	0.67%
Amcil Limited	963,856	0.64%
RBC Investor Services Australia Nominees Pty Limited	755,074	0.50%
UBS Nominees Pty Ltd	710,000	0.47%
Netwealth Investments Limited	637,842	0.43%
Aust Executor Trustees Ltd	520,577	0.35%
Total	**139,872,778**	**93.26%**

Annual General Meeting

The annual general meeting of the Company will be held at the offices of Norton Rose Fulbright, Level 18, 225 George Street Sydney at 11.00am on Friday 14 November 2014. Shareholders who are unable to attend the meeting are encouraged to complete and return their proxy form that will accompany the notice of meeting.

Corporate Directory

Non-Executive Directors

Mr Peter Turner (Chairman)
Simon Crean

Managing Director

Mr Ross Shrimpton (Managing Director)

Executive Director

Mr Vince Fayad (Interim Chief Financial Officer)

Alternative Director

Marc Shrimpton

Company Secretary

Mr Ron Hollands

Registered Office

Unit 2, 11 Holbeche Road
Arndell Park NSW 2148

Australian Company Number

ACN: 094 747 510

Australian Business Number

ABN: 92 094 747 510

Auditors

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Telephone: + 61 2 8297 2400
Facsimile: + 61 2 9299 4445

Legal Adviser

Norton Rose Fulbright Australia
Level 18
225 George Street
Sydney NSW 2000
Telephone: + 61 2 9330 8000
Facsimile: + 61 2 9330 8111

Bankers

BankWest
Level 16
45 Clarence Street
Sydney NSW 2000
Telephone: + 61 2 9276 8000
Facsimile: 1300 453 796

Share Registry

Link Market Services Limited
Central Park, Level 4
152 St Georges Terrace
Perth WA 6000
Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303
Website: www.linkmarketservices.com.au

Website

www.ashleyservicesgroup.com.au

ASX Code

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