ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

# ANNUAL REPORT

## 2015



# Ashley Services Group Annual Report 2015

## Chairman's Review

### MR PETER TURNER

THE YEAR IN REVIEW

25 September 2015

The 2015 financial year was a transformational one for our business. It was our first as a listed company, we completed three acquisitions aimed at expanding our foothold in the training sector, invested in new systems to ensure efficient processes and attracted new talent to help drive business growth.

Statutory net profit after tax and before amortisation of acquired Intangibles (NPATA) was $14.8 million, 61 per cent above the prior year. Proforma revenues were 6.5 per cent above the prior year at $305.8 million and Earnings before Interest Taxes depreciation and amortisation (EBITDA) was $20.7 million, which was just below the low end of the market guidance announced in April 2015. The failure to achieve the Proforma EBITDA as set out in the Prospectus was most disappointing to both our shareholders and the market. Your Board is conscious of this and are actively engaged in ensuring that the Company quickly returns back to such profitability levels.

Trading conditions across the training division were mixed. Revenues from ASG's training division (excluding the ASG Integracom business) grew strongly despite the negative impact of the unfavourable state funding models on the second half in New South Wales and last quarter in South Australia. These were offset by growth in Victoria and Queensland. ASG Integracom (telecommunications) revenues declined due to integration issues, changes in the market and the impact of student funding changes. However, a restructure of the sales team saw telecommunications enrolments recover strongly in the last quarter. Total student enrolments were 21,621, up 9 per cent from the prior year but 6.5 per cent below Prospectus, due mainly to the shortfall in ASG Integracom enrolments to March 2015 and the shortfall in New South Wales enrolments.

Strong results were achieved by the labour hire division recording a rise of 6.4 per cent or $15.6 million in proforma revenue, to reach $261 million for the full year, representing 6.4 million labour hours charged. EBITDA for this division was 3 per cent above prospectus or 23 per cent above the prior year, driven by major national contracts with three logistics providers and margin improvements due mainly to cost controls and continued good safety performance leading to lowered workers compensation costs.

In line with Prospectus forecasts, the Board of Directors announced a final fully franked dividend of 4.1 cents per share, taking the full year post IPO dividend to 6.4 cents which represents a pay-out ratio of 65 per cent of Statutory NPATA.

The Board and Nomination Committee regularly review the blend of the skills and balance of Board and Committee members and resolved in the 2015 financial year a desire for a further Director who was independent, had international education (including experience in growing international student numbers) and who would work well with and complement existing directors. A process has been undertaken to source the abovementioned person and an announcement concerning this matter is expected shortly.

With a national footprint, the Group is well placed to counteract negative impacts stemming from the volatility in government funding; however, it is also of strategic importance that the business continues to diversify its revenue streams. These include expansion of VET FEE-HELP products, targeting the international student market and focusing on three key corporate market sectors – telecommunications, hospitality and children's services.

## Chairman's Review

On behalf of my Director colleagues I would like to extend a sincere thank you to the executive team, senior management and staff for their efforts in managing through a transformational period during the 2015 financial year. We are confident these initiatives will put the Group in a strong position to capitalise on market opportunities.

**Peter Turner**
Non-executive Chairman

## Managing Director's Review

### MR ROSS SHRIMPTON

#### 2015 IN RETROSPECT

The 2015 financial year has been a challenging year for Ashley Services Group Limited ("ASG"). We completed three acquisitions, acquiring 100 per cent of the issued share capital and voting rights of Integracom, Cantillon and SILK. These Australian-based entities were acquired with the objective of increasing the Group's market share in the telecommunications, international students and hospitality training sectors respectively. Student numbers and initial enrolments in both Integracom and Cantillon were lower than expected, and actions to integrate and grow the businesses have taken longer to implement than anticipated.

The year highlighted the risk of having a significant portion of training revenues associated with the government funded public (unemployed) market. Three significant macro environment changes have negatively impacted short term results:

i) the implementation of NSW Smart and Skilled funding contract (the Demand Driven Model), which came into effect 1 January 2015, and its impact on funding allocation across ASG's Registered Training Organisations (RTOs). ASG understands that funding was largely given to TAFEs rather than private providers, which is in contrast to the precedent set by other states where students can choose their education provider;

ii) later in the financial year, a similar decision to direct greater funding towards TAFE was made by the South Australian government, which substantially decreased job seeker enrolments in the state during the final quarter. This means the Group is delivering minimal unemployed public sector training in this state from 1 July 2015;

iii) changes were made to the Job Service Provider (JSP) network that has historically been the primary source of unemployed students to ASG. Nationally, JSPs were required to tender to secure new contracts for five years from 1 July 2015. From May 2015 through to August 2015, while the successful JSPs established their operations, ASG's job seeker enrolments in its two primary markets of Victoria and Queensland were significantly disrupted.

These challenges have accelerated management's focus and plans to transform the training business through both diversification of funding streams and market sectors. During the financial year, the Group has:

i) maintained its training registrations and contracts in all geographies;

ii) expanded its training capability in the Corporate (existing worker) market by restructuring its sales and marketing approach under a national framework including setting up its own call centre based in Sydney NSW. A significant turnaround has been observed, particularly in the ASG Integracom business where enrolments in the June quarter came in at 1,670 students, 23 per cent ahead of prospectus targets for that period;

## Managing Director's Review

iii) attained VET FEE-HELP provider status (government assistance to eligible students studying higher level VET qualifications to pay their tuition fees) and developed its initial Diploma and Advanced Diploma offerings and online training delivery capabilities to capture and better serve students in this market;

iv) obtained two Commonwealth Register of Institutions and Courses for Overseas Students (CRICOS) licences through the acquisitions of Cantillon and SILK, allowing the Group to deliver training to international students. Strategic partnerships have also been established with Higher Education providers to facilitate a pathway for students completing VET training into higher education. Post 30 June 2015, Cantillon also received its English Language Intensive Courses for Overseas Students (ELICOS) licence to deliver programs for students who require English language training before commencing formal studies in Australia.

Total student enrolments were 21,621, up 9 per cent from the prior year but were 6.5 per cent below prospectus, due mainly to the shortfall in enrolments in New South Wales and ASG Integracom.

The labour hire business preformed strongly, benefiting from major national contracts with three large logistics providers secured in calendar 2014. Key customer contracts were also retained. Whilst contract rates came under pressure, the business was able to deliver margin improvement off the back of tight cost controls and continued good safety performance leading to lower workers compensation costs. Labour hours charged were up 6.7 per cent to reach 6.4 million labour hours, employing circa 4,000 weekly labour hire workers.

### DISCUSSION ON RESULTS

It is noted that a number of entities, which were formerly owned by Ross Shrimpton and his related family entities were acquired by the Company on 1 July 2014, have been regarded as "entities under common control". As a result, the comparatives in this annual report have been restated to reflect all of these entities as if they had been owned by the company at the beginning of the earliest comparative period, being 1 July 2013, and treated as a single consolidated entity.

### Statutory Results

Total comprehensive income for the year ended 30 June 2015 was $13.7 million, up 49 per cent from the prior year.

Revenue increased $53.8 million (21%) to $304.7 million due mainly to:

i) acquisitions (+$27.7 million);
ii) organic growth in the labour hire business (+$21 million), reflecting the full year impact from three major national logistics contracts, secured in 2014;
iii) organic growth in the training business (+$5 million), mainly in Victoria (which experienced growth through the public market following the introduction of additional courses) and Queensland (where the Group opened five new branches and expanded available qualifications in line with the full introduction of the demand driven model in the state).

Profit before tax increased $6.5 million (50%) to $19.6 million due to:

i) acquisitions (+$3 million);
ii) re-assessment, and as a result, a reduction in the fair value of deferred consideration liabilities and re-assessment of intangible and other asset valuations (net +$5.8 million); and
iii) net incremental margin arising from organic growth (+$3.5 million).

## Managing Director's Review

Partially offset by:

i) one off IPO costs and acquisition related costs taken to the Statement of Profit or Loss and other comprehensive income (-$4.4 million); and
ii) increased corporate costs associated with operating as a publically listed entity (-$1.4 million).

The effective tax expense rate for the year ended 30 June 2015 was 30 per cent, in line with the statutory rate and the prior period.

### Balance Sheet and Net Debt

The Consolidated Statement of Financial Position as at 30 June 2015 is set out on Page 45. Net assets increased $71.8 million to $102.9 million primarily as a result of the proceeds raised during the IPO in August 2014 which funded three acquisitions and allowed the repayment of prior period borrowings and an increase in net cash of $15.9 million.

Net cash at 30 June 2015 was $12.4 million. All the Group's banking facilities of $23 million were undrawn at 30 June 2015.

### Operating Cash Flow

The Consolidated Statement of Cash Flows for the Financial Year Ended 30 June 2015 is set out on Page 47. The net cash inflow from operating activities of $4.5 million includes $3.6 million of one-off payments in relation to the IPO and acquisition related costs and $0.9 million of operational outflows to fund the expansion of the International business, which commenced following the acquisition of Cantillon.

### 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").

Set out below is an overview of the comparison of the pro forma actual versus pro forma prospectus results for FY15 and FY14, as set out in the Prospectus:

**Table 1: Pro forma FY15 Results Compared to the Prospectus and FY14 Results**

| | Pro forma Actual FY15 (audited) $m | Pro forma Prospectus FY15 (reviewed) $m | Variance to Prospectus % | Pro forma Actual FY14[1] (reviewed) $m | Variance to Actual FY14 % |
|---|---|---|---|---|---|
| Revenue | 305.8 | 319.5 | (4.3%) | 287.1 | +6.5% |
| EBITA[2] | 19.2 | 29.7 | (35.4%) | 21.9 | (12.3%) |
| EBITDA[3] | 20.7 | 31.0 | (33.2%) | 22.9 | (9.6%) |
| NPATA[4] | 13.7 | 20.5 | (33.2%) | 15.0 | (8.7%) |

**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.
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 of acquired intangibles (and related tax impacts).
5. The FY15 Pro forma audited financial results incorporate Integracom as if it was owned by ASG for the whole year, but exclude the results of Cantillon and SILK, because these acquisitions were not included in the prospectus forecasts.

# Managing Director's Review

## Pro forma versus prior year

Labour hire revenue at $261 million was $15.6 million or 6.4 per cent above FY14, driven by major national contracts with three large logistics providers secured in calendar 2014.

Labour hire EBITDA at $9.0 million was $1.7 million above the prior year. Market conditions remain highly competitive, but margin improved 0.45 percentage points to 3.45 per cent, due mainly to cost controls and continued good safety performance, which lowered workers compensation costs.

Training revenue at $44.8 million was $3 million or 7 per cent above FY14. ASG training grew strongly (+22%), but ASG Integracom revenue declined due to integration issues, changes in the marketplace and the impact of student funding changes. A restructuring of the sales and marketing approach and team was designed to increase enrolments. These changes took some time to implement, but the actions taken had a positive impact during the second half of the year, with enrolments in quarter four totalling 1,670 students, 23 per cent ahead of Prospectus targets for that period.

ASG training revenues declined in the three states where state funding models for the public market are not currently favourable, namely New South Wales, South Australia and Tasmania.

Training revenues increased strongly in Victoria (which experienced growth in the public market due to the introduction of additional qualifications), Western Australia (where the Demand Driven Model was in place for the full year in FY15, versus six months in FY14) and Queensland (due to the opening of five new offices and addition of qualifications to scope).

Training EBITDA at $14.3 million decreased $2.5 million or 15 per cent from the prior year. ASG training EBITDA increased 22 per cent, with margin percentage in line with the prior year, but Integracom profits declined.

Corporate costs increased from FY14 due to the additional costs associated with being a listed company.

## Pro forma versus prospectus forecast for the financial year ended 30 June 2015

Labour hire revenue was 1 per cent below Prospectus, with slightly lower revenues from the Concept acquisition, due to reduced project work with a major customer and lower project wins, affected by a downturn in the mining sector.

Labour hire EBITDA was 3 per cent above Prospectus forecasts. Margin at 3.45 per cent exceeded Prospectus by 0.15 percentage points, due mainly to cost controls and continued good safety performance, which lowered workers compensation costs.

Training revenue was $10.3 million or 19 per cent below prospectus, due to an $11 million shortfall in revenues from ASG Integracom. Initial student numbers and enrolments within ASG Integracom were lower than expected and synergistic actions to expand the business nationally and take advantage of government funding in all states took longer than anticipated. Also, expansion into New South Wales, utilising government funding, was not possible, given the adverse unexpected outcome of the Demand Driven Smart and Skilled model from 1 January 2015.

Training EBITDA was $10.2 million or 42 per cent below prospectus forecasts, due largely to a $9.9 million shortfall in earnings from the ASG Integracom business. ASG Integracom margin at 29 per cent was negatively impacted by the revenue shortfall, but also by additional costs including alignment of internal systems, investments in larger sales and marketing teams, and an increased number of qualifications on scope.

ASG training revenues and EBITDA were largely in line with Prospectus, despite the negative impact of the New South Wales Smart and Skilled outcome on the second half results. This negative impact was mostly offset by stronger revenues and profits from Victoria and South Australia.

# Managing Director's Review

## 2016 and Beyond

In training, short term synergies will be derived from the SILK acquisition, which will accelerate growth in the corporate hospitality market, one of the key sectors in focus nationally, along with telecommunications and children services. These sectors will benefit from the newly established national sales and marketing structure as well as gains from the full support of the New South Wales call centre team.

As an nbn training partner, the recent announcement from nbn to invest $40 million on training and awareness campaigns to help it attract an extra 4,500 workers into the industry is viewed positively for ASG Integracom.

On 26 August 2015, ASG received a significant increase in the financial cap allocated to the New South Wales training division through its existing 2015 Smart and Skilled funding contracts. The increase in financial cap means that ASG now has access to over $35 million in subsidies to support delivery of training and assessment services in New South Wales up to 31 December 2015 for approved courses to eligible participants enrolled in new entrant traineeships and apprenticeships. Actual training will be delivered over the relevant period of each course, which will extend past 31 December 2015. However, it is important to note that the extent of how much of the $35 million subsidies ASG is able to access is dependent upon a number of factors, including the availability of those students with eligible criteria.

As a national business, the Group is capable of counteracting negative impacts stemmed from the volatility in government funding, and will continue to protect and adapt its operations to take full advantage of available funding in an agile manner. However, it is also of strategic importance that the business diversifies its revenue streams. This will be partly achieved by targeting the end-user directly with a range of VET FEE-HELP products. The Group expects to see enrolments in VET FEE-HELP gain momentum in the second half of FY16 as more products come online and the results of sales and marketing efforts flow through.

Another growth area for the training division is the international students market. Australia continues to be recognised as one of the most popular study destinations for international students of recent times, complemented by the lower Australian dollar. ASG will be positioned to benefit from these trends following the expansion of Cantillon's Perth campus and the opening of a Melbourne CBD campus in October 2015.

Competitive pressure continues in the labour hire division but the ongoing focus on quality is yielding dividends in the form of expansion of existing contracts and referrals. The pipeline of near term opportunities for the labour hire business is also significantly greater than this time last year.

Our vision is to be recognised in each of our sectors as a high quality provider and using that as a sustainable competitive advantage. Although we will continue to consider acquisition opportunities that complement our service offerings and geographical segments, our ability to grow organically through diversification and strengthening our existing capability is strong. Our focus will continue to be on protecting and building our integrated training and labour hire business model, capitalising on cross-selling opportunities and realising cost synergies where applicable.

Investment in the infrastructure of the business is critical and 2016 will see significant improvements to our systems and technology. These investments will provide longer term improvements to our productivity and efficiency as well as scalability as the business expands.

We have and will continue to invest in our people. As the business transforms and grows, the need for development of existing skills and the attainment of new skills is paramount to the sustainability and success of the business.

Moving forward, we will continue to capitalise on the opportunities afforded to us in our traditional markets while diversifying and growing new revenue streams. A significant amount of work done in 2015 on our transformation will reap rewards well into the future. We will continue to refine our business model and ensure we remain competitive and relevant in the markets in which we operate.

# Managing Director's Review

Set out below are key statistics relevant to the Group for the years ended 30 June 2013 to 30 June 2015:

**Table 2: Summary of Earnings for FY 2013 to FY 2015**

| $m | 30 June 2013 Pro forma[1,2,3] | 30 June 2014 Pro forma[1,2,3] | 30 June 2015 Pro forma Actual[1,2,3] (audited) | 30 June 2015 Prospectus[1.2.3] |
|---|---|---|---|---|
| **Revenue by Business Channel** | | | | |
| Labour Hire | 151.4 | 245.4 | 261.0 | 264.4 |
| Training | 24.6 | 41.7 | 44.8 | 55.1 |
| **Total Operating Revenue** | **176.0** | **287.1** | **305.8** | **319.5** |
| **EBITDA by Business Channel** | | | | |
| Labour Hire | 5.0 | 7.3 | 9.0 | 8.7 |
| Training | 8.9 | 16.8 | 14.3 | 24.5 |
| Corporate | (0.9) | (1.2) | (2.6) | (2.2) |
| **Total EBITDA** | **13.0** | **22.9** | **20.7** | **31.0** |
| **EBITA** | **12.4** | **21.9** | **19.2** | **29.7** |
| **EBIT** | **12.4** | **21.8** | **18.6** | **29.0** |
| **NPBT** | **12.0** | **21.3** | **18.7** | **28.3** |
| **NPAT** | **8.4** | **14.9** | **13.1** | **19.8** |
| **NPATA** | **8.4** | **15.0** | **13.7** | **20.5** |
| **Group Statistics** | | | | |
| Revenue Growth | 8.4% | 63.1% | 6.5% | 11.3% |
| EBITDA Margin | 7.4% | 8.0% | 6.8% | 9.7% |
| EBITDA Growth | 4.8% | 76.2% | (9.6%) | 35.4% |
| EBITA Margin | 7.0% | 7.6% | 6.3% | 9.3% |
| EBITA Growth | 3.3% | 76.6% | (12.3%) | 35.6% |
| EBIT Margin | 7.0% | 7.6% | 6.1% | 9.1% |
| EBIT Growth | 3.3% | 75.8% | (14.7%) | 33.0% |
| NPAT Margin | 4.8% | 5.2% | 4.3% | 6.2% |
| NPAT Growth | 1.2% | 77.4% | (11.8%) | 32.8% |
| **Labour Hire Statistics** | | | | |
| Revenue Growth | 7.3% | 62.1% | 6.4% | 7.7% |
| EBITDA Margin | 3.3% | 3.0% | 3.5% | 3.3% |
| EBITDA Growth | (15.3%) | 46.0% | 23.3% | 19.2% |
| **Total Hours Charged ('m)** | **3.6** | **6.0** | **6.4** | **6.6** |
| **Average Hourly Rate** | **$42** | **$41** | **$40** | **$40** |
| **Training Statistics** | | | | |
| Revenue Growth | 15.5% | 69.5% | 4.7% | 32.1% |
| EBITDA Margin | 36.2% | 40.3% | 31.9% | 44.5% |
| EBITDA Growth | 15.6% | 88.8% | (14.8%) | 16.7% |
| **Total Enrolments** | **12,103** | **19,802** | **21,621** | **23,115** |
| **Average Fee Income per student** | **2,033** | **2,106** | **2,107** | **2,385** |
| **Corporate Statistics** | | | | |
| Corporate Expenses | 0.9 | 1.2 | 2.6 | 2.2 |
| Growth in Corporate Expenses | (25.0%) | 33.3% | 120.1% | 83.3% |

**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 2014 year;
3. Full year results for Integracom even though it was acquired part way through the 2015 year;

## Managing Director's Review

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

**Table 3: Reconciliation from statutory EBITDA to Pro forma EBITDA**

| $m | Note | Pro forma Actual FY15 | Pro forma Prospectus FY15 |
|---|---|---|---|
| Pro forma EBITDA | | 20.7 | 31.0 |
| Pre-acquisition EBITDA for Integracom | | (0.2) | (1.8) |
| One off IPO Employee Bonuses | | (1.9) | (1.9) |
| One off IPO and acquisition related costs taken to income statements | 1 | (2.5) | (2.0) |
| Re-assessment of fair value of deferred consideration | 2 | 7.8 | - |
| Other asset impairment | 3 | (0.9) | - |
| EBITDA impact of Cantillon acquisition | | (0.8) | - |
| EBITDA impact of SILK acquisition | | 0.4 | - |
| **Statutory EBITDA** | | **22.6** | **25.4** |

Notes:

1. The variance to prospectus represents GST on float costs and increased acquisition costs for Integracom and for SILK.
2. Concept earn outs for FY15 and FY16 re-assessed from $0.4m to zero. Integracom earn outs for FY16 and FY17 re-assessed from $9.1m discounted to $1.75m discounted.
3. Other asset impairment relates to the re-assessment of the carrying value of work in progress in one state's training division, which is considered to be impaired due to contractual requirements in terms of the timing for invoicing.

Also included in Statutory result only:
As interest expense – notional accretion on deferred earn outs, $0.6m
As amortisation – impairment of key customer relationship within Concept, $0.5m

**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 an unlisted public company on 11 April 2014, prior to the public listing on 21 August 2014) and its controlled entities ("**Group**") for the financial year ended 30 June 2015.

## 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 31 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** | BCom (UNSW), CA

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

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 19 years of relevant experience in the labour hire and training industries.

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

Ross is a member of the Nominations Committee.

**Mr Peter Turner** | Non-executive Chairman

**Qualifications** | BSc (Melbourne), MBA (RMIT)

**Experience** | Before joining ASG, 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 and a member of the Audit and Risk Management and Nomination Committees.

# Directors' Report

**Mr Simon Crean** | Non-Executive Director

**Qualifications** | BEc (Monash), LLB (Monash)

**Experience** | Prior to joining ASG, 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 (Vince) Fayad** | Non-Executive Director since 1 December 2014.
Interim Chief Financial Officer & Executive Director to 30 November 2014.

**Qualifications** | BBus (UTS), CA

**Experience** | Vince is a director of PKF Corporate Finance (NSW) 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 ASG since its incorporation. Vince was also acting Chief Financial Officer of ASG from the date of the IPO to 30 November 2014.

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

He is currently the Non-executive Chairman of Greenvale Mining Limited and was formerly the Chairman of Medibio Limited as well as a former Non-executive Director of Esperance Minerals Limited. He is also the company secretary of Astro Resources NL.

Vince is chairman of the Audit and Risk Management Committee and a member of the Remuneration committee.

**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 is General Manager Recruitment. 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 15 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

**Mr Andrew Shrimpton** | Director (resigned as a Director, 31 July 2014)

**Qualifications** | Diploma of Management

**Experience** | Andrew joined ASG in 2003. Andrew has held several key roles in the group through Recruitment, Labour Hire and Training divisions.

Andrews's current role includes identification and attainment of new customers, new business segments and funding streams. Andrew's multi divisional experience within Ashley Services is imperative in order to capitalise on the groups multiple service offerings.

Andrew has over 13 years of relevant industry experience.

## 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 4: Shares Held by Directors**

| Names | Number of Shares Held | Shareholding % |
|---|---|---|
| Mr Peter Turner | 321,747 | 0.21 |
| Mr Ross Shrimpton[2] | 85,498,940 | 57.00 |
| Mr Simon Crean | 52,710 | 0.04 |
| Mr Vincent Fayad | 78,221 | 0.05 |
| Mr Marc Shrimpton | 1,688,000 | 1.13 |
| Mr Andrew Shrimpton[1] | 1,500,000 | 1.00 |

**Note:**

1. Resigned as a Director, 31 July 2014.
2. This includes shares owned by Catherine Shrimpton (wife of Ross Shrimpton, 60,858,282), their family company (21,631,861) and shares purchased on behalf of Dean and Andrew Shrimpton (1,500,000 and 1,498,940 respectively). It excludes shares held non-beneficially in trust on behalf of Holmes Management Group Pty Limited (6,024,096).

# Directors' Report

### 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 5: Other Directorships

| Name | Company | Date from | Date to |
|---|---|---|---|
| Mr Peter Turner | Virtus Health Limited (ASX: VRT)<br>CSL Limited (ASX: CSL) | 17 May 2013<br>1 January 2010 | Current<br>17 October 2012 |
| Mr Ross Shrimpton | Nil | - | - |
| Mr Simon Crean | Nil | - | - |
| Mr Vincent Fayad | Greenvale Energy NL (ASX: GRV)<br>Metal Bank Limited (ASX: MBK)<br>Medibio Limited (ASX: MEB)<br>Esperance Minerals Limited (ASX: ESM) | 31 October 2014<br>20 May 2011<br>7 April 2015<br>12 August 2015 | Current<br>30 October 2012<br>Current<br>Current |
| Mr Marc Shrimpton | Nil | - | - |
| Mr Andrew Shrimpton[1] | Nil | - | - |

Note:
1. Resigned as a Director, 31 July 2014.

## a. Principal activities

The principal activities of the Group during the financial year were the provision of labour hire (including recruitment) 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, who has held this position since.

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

### c. Directors' meetings

Details of meetings of directors (including committees of directors) held in the financial year and attendances by each director are shown in the following table:

**Table 6: Meeting Attendance**

| | Board Meetings | | Audit & Risk Management Committee Meetings | | Remuneration Committee Meetings | | Nomination Committee Meetings | |
|---|---|---|---|---|---|---|---|---|
| | Held[3] | Attended | Held | Attended | Held | Attended | Held | Attended |
| Mr Peter Turner | 16 | 15 | 7 | 7 | 2 | 2 | 3 | 3 |
| Mr Simon Crean | 16 | 16 | 7 | 7 | 2 | 2 | 3 | 3 |
| Mr Vince Fayad | 16 | 16 | 7 | 7 | 2 | 2 | N/A | N/A |
| Mr Ross Shrimpton | 17 | 17 | N/A | N/A | N/A | N/A | 3 | 3 |
| Mr Andrew Shrimpton | 1 | 1 | N/A | N/A | N/A | N/A | N/A | N/A |
| Mr Marc Shrimpton | 1 | 1 | N/A | N/A | N/A | N/A | N/A | N/A |

**Note:**

1. Marc and Andrew Shrimpton were Directors until 31 July 2014. 1 Board Meeting was held in the period 1 July 2014 to 31 July 2014. Marc Shrimpton is alternate director for Ross Shrimpton effective 31 July 2014.
2. 16 Board Meetings have been held since Messrs Turner, Crean and Fayad were appointed.
3. Meetings held during the period the individual held office.

## 3. BUSINESS REVIEW

### a. Operating results

The consolidated profit of the Group attributable to equity holders after providing for income tax amounted to $13,676,000 (2014: $9,148,000).

The Group declared and paid dividends to shareholders as follows:

| | Record Date | Payment Date | Cents Per Share | Franked Amount Per Share (Cents) |
|---|---|---|---|---|
| Final Dividend – 2014* | n/a | 1 July 2014* | 102.3 | 102.3 |
| Dividend to distribute profits from 1 July 2014 to 20 August 2014* | n/a | 20 August 2014* | 6.1 | 6.1 |
| Interim Dividend – 2015 | 6 March 2015 | 27 March 2015 | 2.3 | 2.3 |

*These dividends were paid to owners prior to the IPO.

On 17 August 2015, the Group declared a final fully franked dividend of 4.1 cents per share ($6,150,000) (2014: $2,500,000) payable to shareholders on 25 September 2015 based on a record date at 4 September 2015.

### 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

There have been a number of significant events which occurred during the year ended 30 June 2015 on the following dates:

- 1 July 2014, the Group acquired the following related entities (owned by Ross Shrimpton and

Marc Shrimpton and their related family entities):

- ADV Services Pty Limited;
- Ashley Institute Holdings Pty Limited;
- TBRC Holdings Pty Limited;
- Tracmin Pty Limited; and
- Australian Institute of Vocational Development Pty Limited.

These have been regarded as "entities under common control." As a result, the comparatives in this annual report have been restated to reflect all of these entities as if they had been owned by the company and treated as a single consolidated entity.

- 31 July 2014, the Group established a $25 million facility with Bankwest Limited, comprising a $15 million working capital facility, an $8 million term debt facility to finance potential acquisition opportunities and $2 million in bank guarantee and credit card facilities.

- 21 August 2014, the Group completed the acquisition of the Integracom Unit Trust ("Integracom"). The consideration payable in relation to this acquisition comprised of:
  - cash of $30 million;
  - shares in the Company valued at $10 million (representing 6.024 million new shares in Ashley Services at $1.66 per share);
  - profits for the period from 1 July 2014 up to the date of completion of $0.1 million which were paid to the former owners of Integracom;
  - deferred consideration of $15 million, payable over three years based on certain performance criteria being met. The performance criteria for the year ended 30 June 2015 were not met and management have assessed the potential earn out payment for year ended 30 June 2016 will also not be payable. Management have probability weighted the potential FY17 earn out to obtain a fair value of $2 million (discounted $1.75 million).

- 21 August 2014, the Company completed its initial public offering. The effect of the offering was that the Company issued 59.5 million shares at a price of $1.66 per share (of which 7.2 million shares represented a sell down to the Shrimpton family).

- 25 September 2014, the Group acquired 100% of the shares of College of Innovation and Industry Skills Pty Limited – otherwise, known as "Cantillon". The consideration payable in relation to this acquisition comprised of:
  - cash of $1,545,850;
  - deferred consideration for a maximum of $745,851 payable based on revenues achieved over a period from the date of acquisition to 31 July 2016. Management have probability weighted the potential earn out to obtain a fair value of $76,000.

- 30 April 2015, the Group acquired 100 per cent of the shares of Global Education and Training Pty Limited – otherwise, known as "SILK". The consideration payable in relation to this acquisition comprised of:
  - cash of $1,500,000;
  - deferred consideration for a maximum of $3,000,000 payable based on revenues and profits achieved for the year ended 30 June 2016;
  - this has been accounted for on a provisional basis and the fair value assessment of assets and liabilities acquired will be completed in the six months to 31 December 2015. The assessment of fair value has not yet been finalised in these financial statements.

### 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.

# Directors' Report

### e. Events subsequent to reporting date

There have been no matters or circumstances that have arisen since the end of the year that would have significantly affected the groups operations in financial year 2015, except for the following;

The Group has become aware that IMF Bentham Limited ("IMF") has made a release to the ASX dated 17 August 2015 in which it announces that IMF proposes to fund claims of certain ASH shareholders against ASG with respect to alleged misstatements in, or omissions from, AGS's prospectus dated 7 August 2014 in connection with ASG's acquisition of the registered training organisation Integracom.

ASG notes that IMF has advised that no decision has yet been taken by IMF to commence proceedings and, as such, no legal proceedings have been served, and may not ever be.

ASG denies all liability in respect of claims of the nature described in IMF's announcement and management considers any potential claim, should any claim be commenced, as unjustified.

## 4. 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.

During the year, the Group issued 380,787 Performance Rights to senior executives under the terms of the FY15 Long term incentive (LTI) plan. The terms of this plan were outlined in the Company's policy statement lodged on the ASX on 21 August 2014. A summary of these terms can also be found in section 3 of this Directors' report.

### 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.

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 2015 primarily related to the initial public offering of the Company and due diligence services related to acquisitions;
- 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 30 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.

## 5. 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;
- 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 (Interim CFO to 30 November 2014);
- Marc Shrimpton (Director to 31 July 2014, current alternate Director); and
- Andrew Shrimpton (resigned as Director 31 July 2014).

**Non-Executive Directors:**

- Peter Turner;
- Simon Crean; and
- Vince Fayad (from 1 December 2014).

**Other key management personnel:**

- John Knights (General Manager, Strategy and Business Development, resigned 31 August 2014);
- Paul Brittain (Chief Financial Officer, appointed 1 December 2014);
- Brett O'Connor (General Manager, Training); and
- Paul Rixon (General Manager, Labour Hire).

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.

## Directors' Report

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, provided in cash; and
- long-term incentives provided through participation in the Ashley Services Group Performance Rights Share Plan.

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

# Directors' Report

**Table 7:. Key components of senior executive remuneration framework in place during the year ended 30 June 2015.**

| Remuneration Elements | | |
|---|---|---|
| **Fixed Remuneration/Base Pay** | **Short Term Incentive (STI)** | **Long Term Incentive (LTI)** |
| • 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. | • 'At risk' award opportunity for the achievement of six monthly performance objectives linked to six monthly financial targets and non financial goals set by individual. | • 'At risk' award opportunity for the achievement of performance hurdle over a three year measurement period. |
| • 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. | • Financial targets were in line with prospectus forecasts. | • Performance hurdle is 10% compound annual growth rate in Earning Per Share (EPS) with forecast prospectus EPS for the year ended 30 June 2015 as the base for year 1 of the three year period. |
| • There are no guaranteed base pay increases in any executives' employment contracts. | • Paid in cash within 30 days of finalisation of six monthly result. | • No value is derived unless the Group exceeds the EPS growth measure. |
| | | • Vesting is 50% at the end of year 3 and 50% at the end of year 4, provided the 3 year performance hurdle was met and the executive is still employed at the date of vesting. |
| | | • Grant of equity awards aligns shareholder and executive interests, enhances retention of key talent and focuses executives on long term sustainable business performance. |

The remuneration committee has approved amended Short Term Incentive (STI) and Long Term Incentive (LTI) plans for the year ended 30 June 2016.

An overview of the senior executive STI plan for FY16 is set out below.

**Table 8: Key features of the senior executive STI plan for FY16**

| | | |
|---|---|---|
| **Overview of the senior executive STI plan** | | |
| Who participates in the Senior Executive STI plan? | Senior executives, excluding the CEO, participate in the senior executive STI plan. The CEO does not participate in the STI plan. | |
| How much can executives earn? | STI opportunity for senior executives ranges from zero to 100% of target STI for significant out-performance | |
| **Thresholds and performance conditions** | | |
| Is there a threshold level of performance required? | Yes. There are threshold levels for EBITDA that must be met to receive an STI payment. Achievement of the thresholds does not automatically entitle executives to an STI award. Financial and non-financial performance measures must also be met to earn an STI payment. | |
| What are the performance conditions? | **Measures** | **Senior Executives** |
| | **Financial measures**<br>(80% of STI opportunity) | Assessed against:<br>• budget EBITDA for the individual's area of influence for the financial year.<br>• 50% payable for achievement of budget. Remaining 50% payable on a straight line pro rata basis for financial performance from 100% to 120% of budget. |
| | **Non-financial measures**<br>(20% of STI opportunity) | Assessed against:<br>• Achievement of individual's performance objectives.<br>• Only eligible for this potential allocation once a financial threshold of 90% of budget EBITDA for the individual's area of influence is met or exceeded. |
| **Setting and assessing performance** | | |
| Who sets and assesses performance? | The CEO sets and assesses performance and short term incentive outcomes for senior executives with guidance from the Remuneration Committee | |
| How is the STI delivered? | 100% of any STI award is paid in cash within 30 days of finalisation of the audited Annual Report. | |

### c. 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 included as part of the Directors' fees. There are no other schemes for retirement benefits for non-executive Directors.

# Directors' Report

## d. 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 23 to 24.

The key management personnel of Ashley Services Group are listed on page 19. 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 9: Executive and Key Management Personnel Service Agreements[2]**

| Name | Base Salary $[1] | Target STI %[3] | Target LTI %[3] | Term of agreement | Notice Period |
|---|---|---|---|---|---|
| Ross Shrimpton | 300,000 | - | - | Unspecified | 6 months |
| Marc Shrimpton | 275,000 | 50 | 30 | Unspecified | 6 months |
| Andrew Shrimpton | 275,000 | 40 | - | Unspecified | 3 months |
| Brett O'Connor | 450,000 | 50 | 50 | Unspecified | 6 months |
| Paul Rixon | 275,000 | 50 | 50 | Unspecified | 6 months |
| Paul Brittain | 450,000 | 50 | 50 | Unspecified | 6 months |

**Note:**

1. Base salary includes superannuation guarantee contributions.
2. As at the date of this report.
3. Maximum annual award as a percentage of annual salary.

**Table 10: 2015 – Remuneration of Key Management Personnel**

| 2015 | ST[1] employee benefits | | | | PE[2] benefits | LT[3] employee benefit | Total[4] | Performance based Remuneration |
|---|---|---|---|---|---|---|---|---|
| Name | Cash salary & fees $ | Salary non-cash $ | ST[1] employee bonus $ | IPO Bonus[9] $ | Super-annuation $ | $ | $ | % |
| **Non-executive Directors** | | | | | | | | |
| Peter Turner | 132,751 | - | - | 120,001 | 12,414 | - | **265,166** | - |
| Simon Crean | 93,116 | - | - | 74,998 | 8,846 | - | **176,960** | - |
| Vincent Fayad[5] | 74,655 | - | - | - | 7,092 | - | **81,747** | - |
| **Executive Director** | | | | | | | | |
| Ross Shrimpton | 263,165 | - | - | - | 17,725 | - | **280,890** | - |
| Marc Shrimpton | 243,789 | - | - | - | 18,058 | - | **261,847** | - |
| Andrew Shrimpton | 231,547 | 10,753 | 67,824 | 2,707 | 19,506 | - | **332,336** | **20** |
| **Other key management personnel** | | | | | | | | |
| Brett O'Connor | 384,994 | - | 100,000 | 137,501 | 17,958 | - | **640,454** | **16** |
| Paul Rixon | 241,254 | 17,474 | 71,924 | 137,501 | 19,242 | - | **487,396** | **15** |
| Paul Brittain[7] | 245,709 | - | - | - | 10,957 | - | **256,666** | - |
| John Knights[8] | 54,001 | - | - | 400,000 | 4,652 | - | **458,653** | - |
| **Total** | **1,964,982** | **28,227** | **239,748** | **872,708** | **136,450** | **-** | **3,242,115** | |

# Directors' Report

### Table 11: 2014 – Remuneration of Key Management Personnel

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

**Note:**
1. ST – Short-term.
2. PE – Post-employment.
3. LT – Long-term. Details of the long term incentive plan are included in the Directors' report, pages 26 to 28. Management have assessed the probability of the performance hurdle for the 2015 plan being met as nil and no expense has been recognised in the profit and loss account for the year ended 30 June 2015.
4. Amounts included in the above table include amounts paid to key management from all entities.
5. During the year financial advisory fees have also been paid to PKF Lawler Corporate Finance (Company in which Vincent Fayad is a Director). These include payments for the period to 30 November 2014, during which Vince was both a Director and the Interim Chief Financial Officer.
6. There were no termination payments made to any non-executive directors, executive directors or other key management personnel in either 2014 or 2015.
7. Commenced employment and included as KMP from 1 December 2014.
8. Resigned 31 August 2014.
9. Mr Turner and Mr Crean received payments of $120,000 and $75,000 respectively for services rendered as part of the IPO process. John Knights, Andrew Shrimpton, Brett O'Connor and Paul Rixon received bonuses at the time of the IPO for past services rendered.

### Other transactions with key management personnel

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

### e. Shares held by key management personnel

The number of ordinary shares in the companies during the 2015 reporting period held by each of the groups' key management personnel, including their related parties are set out below:

# Directors' Report

**Table 12: Shares held by Key Management Personnel**

| Name | Balance at start of the year[2] | Shares issued through common control transaction | Shares issued at IPO | Shares Purchased | Shares disposed[3] | Balance at end of the year |
|---|---|---|---|---|---|---|
| Peter Turner | - | - | 36,145 | 285,602 | - | **321,747** |
| Simon Crean | - | - | 22,590 | 30,120 | - | **52,710** |
| Ross Shrimpton[1] | 28,290,430 | 58,986,041 | - | 2,748,940 | (4,776,471) | **85,248,940** |
| Vincent Fayad | - | - | - | 60,240 | - | **60,240** |
| Marc Shrimpton | - | 3,893,630 | - | 188,000 | (2,393,630) | **1,688,000** |
| Andrew Shrimpton | - | - | 1,060 | 1,248,940 | - | **1,250,000** |
| Brett O'Connor | - | - | 41,416 | - | - | **41,416** |
| Paul Rixon | - | - | 41,416 | - | - | **41,416** |
| Paul Brittain | - | - | - | 18,000 | - | **18,000** |
| John Knights | - | - | - | - | - | - |

**Note:**

1. This includes shares owned by Catherine Shrimpton (wife of Ross Shrimpton, 60,858,282), their family company (21,631,861) and shares purchased on behalf of Dean and Andrew Shrimpton (1,500,000 and 1,248,940 respectively). It excludes shares held non-beneficially in trust on behalf of Holmes Management Group Pty Limited (6,024,096).
2. Number of shares at the start of the year has been adjusted to reflect the share split of 9,857 new shares for every one share on issue prior to common control transaction.
3. 7,170,101 ordinary shares related to a sell down by Ross Shrimpton and his related entities as well as Marc Shrimpton at the date of the IPO

## f. 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 9 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.

## g. Share-based compensation

### Senior Executive Share Plan

ASG 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 Group by offering them an opportunity to share in the ownership of ASG. The Performance Rights Share Plan is administered by the Board in its discretion. The terms and conditions of the Performance Rights Share Plan are summarised below.

During the financial year the Board issued 380,787 performance rights.

The number of Performance Rights awarded to executive directors and Key Management Personnel is set out below:

# Directors' Report

**Table 13: Performance Rights held by Executive Directors and Key Management Personnel**

| Names | Number of Performance Rights Held |
|---|---|
| Mr Ross Shrimpton | - |
| Mr Brett O'Connor | 120,482 |
| Mr Paul Rixon | 82,831 |
| Mr Marc Shrimpton | 49,699 |
| Mr Paul Brittain | 73,755 |

The offer of rights to Shares under the Employee Performance Rights Plan did not exceed 5% of the total number of issued shares in that class.

Consideration for the Shares is provided in the form of services to or for the benefit of the Company and as such performance conditions may be attached to any rights under the Employee Performance Rights Plan. An eligible employee, who has contracted with Ashley Services (under the Employee Performance Rights Plan) for the right to Shares in the Company (Participant), holds those rights on the following terms:

- disposal of rights is not permitted without the permission of the Board;
- any new issue of shares to existing shareholders will only apply to the Participant if the rights to shares have vested in the Participant and the Participant has become a shareholder in the Company at the relevant record date (as defined in the ASX Listing Rules);
- in the event there is a bonus issue to Ashley Services shareholders, the number of shares a Participant is entitled to under the Employee Performance Rights Plan will be increased by the number of Shares the Participant would have received had they been a shareholder before the record date (as defined in the ASX Listing Rules) for the bonus issue; and
- in the event of a reconstruction of the issued capital of the Company prior to a Participant's rights under the Employee Performance Rights Plan vesting in the Participant, the rights and Shares to which the Participant is entitled will be reconstructed in accordance with ASX Listing Rules.

Rights under the Employee Performance Rights Plan will vest in a Participant at a determined date subject to the Participant's continued employment with ASG and the satisfaction of any performance conditions and other terms and conditions imposed by the Board. Shares allotted under the plan are held under the following conditions:

- shares issued under the plan will rank equally to shares issued in ASG; and
- compliance with ASG's Share Trading Policy is required.

**Table 14: Key features of the senior executive FY15 LTI plan**

| Overview of the LTI | |
|---|---|
| Who participates in the Senior Executive LTI? | Senior executives, but excluding the CEO, participate in the senior executive LTI plan. |
| What was awarded under the LTI plan in FY15? | On 25 September 2014 senior executives received an LTI award of 380,787 performance rights, the vesting of which is subject to the performance condition outlined below. The number of rights awarded was calculated by dividing the remuneration value of the award by the IPO price for ASH shares ($1.66/share) or for those employees commencing employment following the IPO, by the volume weighted average price of ASH shares for the 5 day trading period prior to the approval to grant their award. |

# Directors' Report

| Overview of the LTI | |
|---|---|
| **Performance conditions** | |
| What are the performance conditions? | Senior executive LTI awards are earned only upon achievement of the following performance hurdle:<br>• Earnings Per Share growth (EPS): 100% of the LTI grant |
| Over what period is performance measured? | The Board has determined that the LTI plan will be subject to the performance condition over a three year period, commencing 1 July 2014. |
| How are the performance conditions assessed? | Absolute EPS performance condition - measured as the compound annual underlying EPS growth over the 3 year performance period.<br><br>The EPS target is:<br><br>EPS — EPS Target<br>Expected EPS for the financial year ended 30 June 2015 — 13.7 cents per Proforma prospectus forecast<br>10% growth FY16 — 15.0 cents per share<br>10% growth FY17 — 16.5 cents per share<br><br>If actual EPS for the year ended 30 June 2017 exceeds 16.5 cents per share, 100% of the performance rights granted to each employee will vest as follows;<br><br>50% of performance rights granted to each employee vest at the end of the third year (25 September 2017)<br><br>The remaining 50% vest at the end of the fourth year (25 September 2018), provided the executive is still employee at this vesting date. |
| Why were the performance measures chosen? | Annual compound EPS growth was selected as the LTI performance measure because it provides a direct link between generation of economic returns for shareholders, ASH's business strategy and executive reward. |
| Is performance subject to retesting? | No, retesting of performance is not permitted. |
| Who assesses performance against targets? | The Remuneration Committee based on financial information (EPS measure). |
| Does the executive receive dividends and voting rights on unvested awards? | No, there are no voting rights or entitlements to dividends on unvested awards under the LTI plan. |
| **Cessation of employment and change of controls** | |
| What happens in the event of a change of control? | Upon a change of control event, the Board may determine to vest some or all of the LTI awards. In making this determination, the Board will consider all relevant circumstances, including the performance against the EPS measure up to the date of the change of control event and the portion of the performance period that has expired. |

# Directors' Report

| Overview of the LTI | |
|---|---|
| **Cessation of employment and change of controls** | |
| What happens in the event of cessation of employment? | In general, unvested LTI awards are forfeited.<br>In limited circumstances, such as upon a senior executive's death, serious injury or incapacity during the performance period or other reason approved by the Board, any unvested performance shares will vest at the end of the performance period if the relevant performance conditions have been satisfied. |

The Board and the Remuneration Committee have approved the FY16 LTI Plan on 25 September 2015. The FY16 is in line with the FY15 plan except that a second performance hurdle, being Total Shareholder Return (TSR) will be added.

The TSR performance condition is a measure of ASH's TSR compared to the TSR of a comparator group of twenty competing and industry related companies at the beginning of the respective performance periods.

TSR is measured by the change in value of the ASH's cumulative TSR over the performance period compared to the TSR performance of the comparator group over the same period.

The Board has the discretion to adjust the comparator group to take into account events including but not limited to takeovers, mergers or demergers that might occur during the performance period.

The Board considers two performance conditions to be appropriate because they ensure that a proportion of each executive's remuneration is linked to the generation of profits (expressed on a per share basis) and shareholder value through the combined application of both and absolute and relative performance criteria.

In particular, the use of a relative TSR based hurdle:

- ensures alignment between comparative shareholder return and reward for the executive; and
- provides a relative, external market performance measure, having regard to those companies with which the Group competes for capital, customers and talent.

An absolute underlying EPS growth based hurdle links:

- executive reward to a fundamental indicator of financial performance that is directly connected to shareholders; and
- directly to ASG's long term objectives of maintaining and improving earnings performance.

The use of dual performance measures combines a strong external market based focus through share price growth and dividends (TSR), and a non-market based internal measure aimed at driving improved Company earnings results (EPS).

### 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.

## Directors' 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**

Non-executive Chairman

**Ross Shrimpton**

Managing Director

Sydney, 29th September 2015

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## 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 2015, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 29 September 2015

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ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

## Corporate Governance Statement

A Corporate Governance Statement has been adopted by the Board on 25 September 2015.

The practice of good corporate governance is vital in enhancing investor confidence in corporate accountability by demonstrating a commitment to transparency. Ashley Services Group Limited (**Company**) is committed to the principles of corporate governance.

The ASX Corporate Governance Council (**Council**) released a 3rd edition of Corporate Governance Principles and Recommendations ('ASX Recommendations') with an application for entities whose first full financial year started on or after 1 July 2014 i.e. the year ended 30 June 2015.

The ASX Recommendations are intended to be a reference point for companies about their corporate governance structures and practices. A company may choose not to implement certain ASX Recommendations, provided that the company explains why it has not done so and what alternate approaches have been adopted.

The Board has adopted a suite of governance materials which are available in the Corporate Governance section of the Company's website (www.ashleyservicesgroup.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.

### Principle 1: Lay solid foundations for management and oversight

The Board is responsible for a broad range of matters and will act in the best interests of the Company to ensure that the business of the Company is properly managed.

The role of the board (**Board**) is to oversee the management of the Company as well as provide strategic guidance. We have adopted a Board Charter (**Charter**) which formally sets out the functions and responsibilities of the Board, with the objective of the Board being able to perform its role more effectively. This creates a system of checks and balances to provide a balance of authority

Prior to the appointment of a director, a process including numerous reference checks, a bankruptcy check and criminal record (all states and territories of Australia and the AFP) is undertaken.

Further, prior to a resolution being put to members concerning the election/re-election of a director, members are provided with detailed information of the respective parties education, age and relevant experience for consideration.

All directors (and senior management roles) have written agreements that set out, inter alia, the terms of their respective employment.

The Company Secretary has a direct reporting line to each Director concerning all matters to do with the proper functioning of the Board and the Committees. He is an experienced public company secretary and is well versed in all aspects of the role in an ASX listed public company environment.

### Diversity

The Company has a Diversity Policy a summary of which is detailed below.

*Summary*

- The purpose of the Diversity Policy is to assist the Company to achieve its objectives and deliver outcomes for its stakeholders, by enabling it to attract and retain the most qualified and experienced individuals to its workforce.
- The Company aims to ensure that its workforce, including our board of directors, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company.
- The Policy applies to all Directors, Senior Executives, employees, whether full-time, part-time, causal or temporary, as well as to contractors and consultants.
- The Policy sets out the guidelines by which the Company endeavours to increase diversity throughout the Company, including at Board level.

## Corporate Governance Statement

*Statement of principles*

The Company is committed to:

- equality of opportunity throughout the organisation;
- recruiting and retaining the best candidates for positions; and
- treating individuals with respect.

*Board responsibilities*

The Board is charged with establishing measurable objectives for achieving diversity, particularly gender diversity, within the Company and at the Board. The Board is to assess the performance of the Company annually in achieving the objectives, and review the objectives themselves annually.

The Board will consider diversity in the selection of board members and will consider the issue of diversity in developing its selection criteria and process for candidates for membership of the board.

*Management responsibilities*

Management is charged with achieving the diversity objectives by the Board and is responsible for reporting to the Board on the progress towards and the achievement of the diversity objectives.

*Reporting*

To date, the board or a committee have not set measurable objectives for achieving gender diversity and to assess annually both the objectives and the company's progress in achieving them. These objectives will be established in the 2016 financial year and reported upon in the 2016 annual report.

The Company provides the following information on the proportion of women employees in the whole organisation, women in Senior Executive positions and women on the Board of the Company.

| | **Female** | **Male** |
|---|---|---|
| Directors & other KMP | 0% | 100% |
| Corporate & Administration | 73% | 27% |
| Labour Hire | 75% | 25% |
| Recruitment | 89% | 11% |
| Training | 59% | 41% |
| **Total** | **63%** | **37%** |

The performance of the Board and Senior Executives in the 2015 financial year has been reviewed against both quantitative and qualitative measures and Directors and Senior Executives provided feedback on the discharge of their responsibilities.

Performance review occurred via both interview and documented appraisal forms. Further details are included in the Directors' report.

### Principle 2: Structure the board to add value

### Nomination Committee

The company has a nomination committee comprising Simon Crean (Chair), Peter Turner and Ross Shrimpton. Messrs Crean and Turner are independent directors.

The Nomination Committee Charter is available for viewing on the company's website.

The number of Nomination Committee meetings held in the financial year and the attendance by each director is disclosed in the directors' report.

# Corporate Governance Statement

## Board skills matrix

| Name of Director | Independent? Y/N | Any relationship affecting independence? | Skills and experience relevant to the position | Term of office |
|---|---|---|---|---|
| Ross Shrimpton | N | Managing Director | Strategy, management, training and labour hire industry expertise. | 12 October 2000 – current. |
| Marc Shrimpton (alternate director to Ross Shrimpton) | N | Executive Role | Recruitment and management expertise. | 31 July 2014 - current. |
| Vince Fayad | N | Executive role with Company in past 3 years/Material professional service provider. | Corporate governance, accounting and finance expertise. | 31 July 2014 – current. |
| Simon Crean | Y | No | Government (in particular education), strategy, management expertise. | 31 July 2014 – current. |
| Peter Turner | Y | No | Strategy, management, corporate governance expertise. | 31 July 2014 – current. |

The Board and Nomination Committee regularly review the blend of the skills and balance of board and Committee members and resolved in the 2015 financial year a desire for a further director who was independent, had international education (including experience in growing international student numbers and who would work well with and complement existing directors.) The most appropriate person for the role was the paramount requirement, regardless of gender.

A process was undertaken to source the abovementioned person and an announcement concerning this matter is expected shortly. This process has included numerous reference checks, a bankruptcy check and criminal record (all states and territories of Australia and the AFP) check of any candidates offered roles and to be put forward to shareholders for election as a director.

At a general meeting of the company, annually, directors appointed by the company's directors, are put to members for election. Similarly, existing directors, as required by the Company's Constitution, are put to members for re-election.

In each of the above instances, detailed and relevant information, concerning the respective director is provided to members.

### Majority of independent directors

Per the above table, Messrs Turner and Crean are independent directors having no prior association with the company/related parties.

Vince Fayad was the Interim Chief Financial Officer until the appointment of a full time Chief Financial Officer on 1 December 2014. Vince Fayad is also a director of PKF Corporate Finance (NSW) Pty Limited (and its predecessors) who has been a provider of professional services to ASG in the past 3 years.

Accordingly, Mr Fayad is not considered to be an independent director at the date of this report.

The current Board is 50% independent/75% non-executive, although noting that the Board Chair has the casting vote thereby maintaining a majority independence.

# Corporate Governance Statement

### Chairman and independence

The Chair of the Board and Managing Director are separate roles assumed by Peter Turner and Ross Shrimpton respectively. Peter Turner is a non-executive and independent director.

### Director induction and professional development

All new directors undertake a detailed induction programme that covers inter alia, company history and information, policies and procedures and ASX requirements. In addition, the Nomination Committee considers training and professional development requirements of directors.

## Principle 3: Act ethically and responsibly

### Code of Conduct and Conflicts of Interest

### Summary of Code of Conduct (Code)

The Company seeks to be recognised as an organisation committed to the highest ethical standards in business. The Code provides an outline of the standards of ethical behaviour expected of Company directors and key executives and provides for the accountability of unethical practices.

The conduct of the Directors and Senior Executives is governed by the following principles:

- responsibilities to shareholders and the financial community
- the Company values communication with its shareholders, other stakeholders, and the public at large. Full, fair and timely disclosure of relevant information is made to shareholders and the ASX;
- employment practices integrity and professionalism – to act honestly and with integrity in all dealings of the Company;
- active compliance with the law;
- achieving gender diversity set by the Board in accordance with the diversity policy (including the proportion of women employees in the whole organisation, women in senior executive positions and on the Board) – to disclose progress towards achieving them;
- conflicts of interest – to fully disclose any matters which may lead to conflicts of interest; and
- confidential information – complying with the restrictions on the use of non-public information except where disclosure is either authorised or mandated by law;

Fair trading and dealing

- the Company will not engage in anticompetitive practices that unlawfully restrict the free market economy.

As part of the active promotion of ethical behaviour any behaviour that does not comply with this Code must be duly reported. Protection will be provided for those who report violations in good faith.

A copy of the Code is available on the company's website.

## Principle 4: Safeguard integrity in corporate reporting

### Audit and Risk Management Committee

The company has an Audit and Risk Management Committee comprising Vince Fayad (Chair), Peter Turner and Simon Crean.

Messrs Turner and Crean are independent directors having no prior association with the company/related parties.

Vince Fayad was the Interim Chief Financial Officer until the appointment of a full time Chief Financial Officer on 1 December 2014. Vince Fayad is also a director of PKF Corporate Finance (NSW) Pty Limited (and its predecessors) who has been a provider of professional services in the past 3 years. Accordingly, Mr Fayad is not considered to be an independent director at the date of this report.

The Audit and Risk Management Committee Charter is available for viewing on the company's website.

The number of Audit and Risk Management Committee meetings held in the financial year and the attendance by each director is disclosed in the directors' report.

## Assurance

For the purposes of section 295A of the Corporations Act and ASX Recommendation 4.2, the Managing Director and Chief Financial Officer provide the required assurances and declarations each half-year.

The Board have received assurance from the Managing Director and Chief Financial Officer that, in their opinion:

- the financial records of the Company have been properly maintained;
- the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

## External Auditor

The Audit and Risk Management Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and the terms of their engagement. The Audit and Risk Management Committee annually reviews the performance of the external auditors and the Company's policy on maintaining the independence of the external auditor. The independent external auditor reports directly to the Audit and Risk Management Committee and Board.

The Audit and Risk Committee Charter includes information on the procedures for selection and appointment of the external auditor and for the rotation of the external audit engagement partner. In 2014, shareholders appointed Grant Thornton as the company's auditor and this marks Year 1 under the rotation policy.
The independent external auditor is invited to attend all Annual General Meetings and is available to answer questions from shareholders concerning their annual audit.

## Principle 5: Make timely and balanced disclosure

The company has adopted a Continuous Disclosure Policy which has procedures designed to ensure compliance with ASX Listing Rule and Corporations Act disclosure requirements and to ensure accountability of Directors and Senior management.

The policy, which is available on the Company's website, has procedures designed to ensure that material information is communicated to directors and the Company Secretary and for the assessment of information for the disclosure of material information to the market.

The Board acknowledges the importance of promoting timely and balanced disclosure of all material matters concerning the company and believes it is fully compliant with Principle 5 and its recommendations

## Summary of the Continuous Disclosure Policy

The purpose of the Continuous Disclosure Policy is to ensure that there are mechanisms in place to provide all investors with equal and timely access to material information concerning the Company. Such information must be presented in a clear and balanced way so as to not omit any material information.

These policies are designed to ensure that the Company meets its continuous disclosure obligations under the ASX Listing Rules.

## Type of information that needs to be disclosed

Listing Rule 3.1 states that any information that a reasonable person would consider to have a material effect on the value of the Company's securities must be disclosed. Examples of such information include a change in revenue, asset values or significant transactions.

## Disclosure Officer

The Board has appointed the Secretary to act as the disclosure officer (**Disclosure Officer**) to be responsible for communications with the ASX and to decide what information must be disclosed. The Disclosure Officer holds the primary responsibility for ensuring that the Company complies with its disclosure obligations.

In addition, the Directors, employees or consultants are all responsible for reporting price sensitive information that is not generally available to the Disclosure Officer.

# Corporate Governance Statement

## Accountability

Contravention of the continuous disclosure obligations can result in a series of penalties under the Act ranging from civil penalties to criminal liability.

## Principle 6: Respect the rights of shareholders

The company has a Shareholder Communication Policy which seeks to promote effective communication with our shareholders. The Company communicates in several ways including via its Annual Report and Half-yearly accounts and other ASX announcements regarding material developments.

## Summary of Shareholder Communication Policy

ASG's communications strategy (contained in the Shareholder Communication Policy) is designed to empower shareholders by giving them access to balanced and understandable information on the Company. The Company is required under the Act and the ASX Listing Rules to keep the market fully informed of all information that could materially effect the value of its securities.

## Regular shareholder communication

ASG is committed to maintaining direct, open and timely communications with all shareholders. The use of electronic communication provides broader access to Company information by investors and stakeholders and a greater opportunity for more effective communication. It also provides improved access for shareholders who are unable to attend meetings.

At a minimum the shareholder will receive the following;

- annual results (ordinarily announced in August);
- the annual report (ordinarily released in September)
- an invitation to the annual general meeting (AGM) and all accompanying papers (ordinarily scheduled to occur in October);
- any reports/other information disclosed at the AGM (ordinarily within a week of the occurrence of the AGM); and
- interim and half-yearly results (ordinarily released in February).

All of the above information and all governance information is available on the company's website. The company's website is user friendly and easy to operate and encourages shareholders with any questions or concerns to ask and they will be assured of a prompt, detailed response.

LINK Market Services (company's share registry) provides electronic transmission of all company communications.

## Meetings

Part of ASG's communication strategy involves making it easier for shareholders to participate in general meetings. All shareholders will be invited to attend the AGM and the Chair's report will be forwarded to all shareholders.

ASG will also request that the external auditor attend the AGM and be available to answer shareholder questions about the audit as well as the preparation and content of the audit reports.

The Chair will encourage and seek concerns or questions from shareholders at the AGM.

The company maintains a website at: www.ashleyservicesgroup.com.au.

## Annual General Meeting (AGM)

The 2015 AGM will be held on Friday 30 October 2015 at 10:00 am (Sydney time) in the offices of Norton Rose Fulbright on Level 18, 225 George Street Sydney NSW 2000.

The Chairman of the meeting will ensure that shareholders are given the opportunity to participate at the AGM. Further, representatives of our auditors, Grant Thornton, will be in attendance to answer questions pertaining to their audit work.

ASG encourages shareholders to contact the Link Market Services (company's Share Registry) should they wish to receive and send all communications to and from the ASG electronically.

# Corporate Governance Statement

## Principle 7: Recognise and manage risk

### Financial reporting

The company has an Audit and Risk Management Committee Charter can be viewed on the company's website.

An Audit and Risk Management Committee has been established by the Board to protect the integrity of financial reports. The importance of an Audit and Risk Management Committee is universally recognised in the practice of good corporate governance and plays a key role in focussing the Board on matters relevant to the integrity of financial reporting.

In order to give the Audit and Risk Management Committee the ability to exercise independent judgment, the Audit and Risk Management Committee is structured so that it consists of:

- only non-executive Directors;
- a majority of independent Directors;
- a chairperson, who is not the Chair of the Board; and
- at least 3 members.

### Composition of the Audit and Risk Management Committee

Vince Fayad – non- executive chair

Simon Crean – non-executive director

Peter Turner – non-executive director

The Audit and Risk Management Committee Chair (Vince Fayad) is not considered an independent Director as detailed above.

Notwithstanding the above, Mr Vince Fayad is the most appropriate of all directors however to chair this Committee given his 30+ years' experience as a Chartered Accountant and his expertise with ASX listed public companies.

The qualifications and experience of all Committee members and the number of Audit and Risk management Committees held and attendance by members are disclosed in the Annual Report.

### Charter of the Audit and Risk Management Committee

The charter of the Audit and Risk Management Committee sets out its role and responsibilities, structure and membership requirements.

### Responsibilities

The responsibilities of the Audit and Risk Management Committee includes:

- reviewing the integrity and the effectiveness of the internal audit;
- overseeing the independence of the external auditors; and
- the management of operational risk.

### Meetings

The Audit and Risk Management Committee will meet as frequently as required and at least twice a year. Any member of the Audit and Risk Management Committee may call a meeting. A quorum at such meetings consists of at least 2 members, 1 of which must be independent.

### Expertise

Every member of the Audit and Risk Management Committee is able to read and understand financial statements and at least 1 member is a qualified accountant or other financial professional with experience in financial and accounting matters.

### Reporting

The Audit and Risk Management Committee reports to the Board at the first Board meeting subsequent to each Audit and Risk Management Committee meeting. Each report contains all matters relevant to the Audit and Risk Management Committee's role and responsibilities.

### External auditing and Internal Audit

The Audit and Risk Management Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and the terms of their engagement. The Audit and Risk Management Committee annually reviews the performance of the external auditors and the Company's policy on maintaining the independence of the external auditor. The independent external auditor reports directly to the Audit and Risk Management Committee and Board.

The independent external auditor is invited to attend all Annual General Meetings and is available to answer questions from shareholders concerning their annual audit.

The Audit and Risk Management Committee resolved to establish an Internal Audit function in the year ended 30 June 2015. Following a tendering process, it was agreed to appoint PriceWaterhouse Coopers (PWC) for a 3 year period as the company's internal auditor. The internal auditor reports to management and to the board.

PWC have worked with management to identify key risks and will conduct testing in these areas and report on the completion of their work. Risks will be periodically assessed and work performed adjusted if deemed appropriate.

### Risk management policy

In order to recognise and manage risk, we have established an internal compliance system under which risk is identified, assessed, monitored and managed. This structure is designed and implemented by the Audit and Risk Management Committee as one of its key responsibilities is to oversee the establishment and implementation of the risk management system.

### Risk management

All material risks affecting the Company, including both financial and non-financial matters, are considered and reviewed regularly by the Risk Management Committee.

### Assessment of effectiveness

The effectiveness of the risk management system is reviewed by the Audit and Risk Management Committee at least annually.

A part of this system of assessment is the establishment of an internal audit function whose purpose is to analyse the effectiveness of the Company's risk management and internal compliance and control system. The internal audit function is independent of the external auditors and reports to management.

### Risk management

### MD and CFO assurances

In order to create an environment for identifying and capitalising on opportunities, the Board has established a sound system of risk oversight and management. To encourage management accountability in this area, the Senior Executives are required to design and implement the risk management and internal control system to manage the Company's material business risks and report on whether those risks are being managed effectively.

The Audit and Risk Management Committee reviews the company's risk management framework at least annually to satisfy itself that it continues to be sound and will disclose in the annual report whether such review occurred.

Further, both the MD and Chief Financial Officer (CFO) are required to provide written assurances to the Board that the financial reports submitted to the Board present a true and fair view of the Company's financial position and operational results and that the Company's risk management and internal compliance and control system is operating efficiently and effectively.

In the annual report, the company will disclose, if applicable and appropriate whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages/intends to manages those risks.

### Principle 8: Remunerate fairly and responsibly

The company has a Remuneration Committee Charter that can be viewed on the company's website. The company also has a Remuneration Committee.

### Remuneration Committee

The role of the Remuneration Committee is to review the remuneration policies and practices of the Company to ensure that the Company remunerates fairly and responsibly. Such policies are designed to attract and retain talented and motivated directors.

# Corporate Governance Statement

## Composition

The Remuneration Committee consists of 3 members, of which 2 are independent, as follows:

Peter Turner – non-executive chair, independent

Simon Crean – non-executive director, independent

Vince Fayad – non- executive director

The members of the Remuneration Committee have an appropriate understanding of the principles of corporate governance, the disclosure requirements under the *Corporations Act 2001* (Cth) (**Act**) and the complexities involved in negotiating and determining executive remuneration packages.

## Responsibilities

The Remuneration Committee's responsibilities include providing the Board with advice and recommendations relating to:

- the executive remuneration policy;
- the non-executive remuneration policy;
- remuneration packages for executive Directors and Senior Executives;
- merit recognition arrangements; and
- termination arrangements.

## Meetings

The Remuneration Committee will meet as frequently as required and no less than twice a year. Any member of the Remuneration Committee may call a meeting. A quorum for a Remuneration Committee meeting consists of at least 2 members, 1 of whom must be an independent person.

The qualifications and experience of all Committee members and the number of Remuneration Committees meetings held and attendance by members are disclosed in the Annual Report.

## Charter and remuneration policies and practices

The Remuneration Committee Charter is available for viewing on the company's website.

ASG discloses in its annual report its policies and practices concerning non-executive director remuneration and remuneration of executive directors and other senior management. This includes any equity based remuneration scheme and that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.

## Remuneration and performance

## Summary of performance evaluation

The performance of the Board and Senior Executives is reviewed regularly against both quantitative and qualitative measures to ensure that the Directors and Senior Executives obtain adequate feedback on the discharge of their responsibilities.

The company advises that a performance evaluation of the board was not undertaken in the 2015 reporting period. The intention is for a performance evaluation to occur of the Board and all Committees to occur in the 2016 reporting period.

Further, the annual report discloses the process used for evaluating the performance of senior executives which was undertaken in the 2015 reporting period.

## Remuneration policy

The remuneration policy is designed to ensure that the level and composition of remuneration is both competitive and reasonable. Remuneration is intimately connected to performance and is intended to be appropriate for the results delivered. The Company's policies are designed to attract and maintain talented and motivated Directors and employees as well as raising the level of performance of the Company.

The Board has the discretion to reward eligible employees with the payment of bonuses, share options and other incentive payments. These incentive payments are designed to link rewards to performance and are determined by both financial and non-financial imperatives.

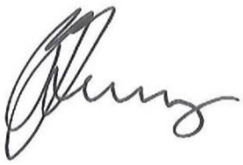
Remuneration packages of non-executive Directors are fee based. Non-executive Directors do not participate in the schemes designed for the remuneration of executives, nor do they receive options, bonus payments or any retirement benefits other than statutory superannuation.

## Directors' Declaration

The directors of the Group declare that:

1. the consolidated financial statements and notes for the year ended 30 June 2015 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 2015 and for the year then ended;
2. the Managing Director and 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.



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**Peter Turner**

Non-executive Chairman

Sydney, 29th September 2015

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## 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 2015, 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

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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 2015 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.

### Report on the remuneration report

We have audited the remuneration report included in pages 19 to 28 of the directors' report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

### Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Ashley Services Group Limited for the year ended 30 June 2015, 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, 29 September 2015

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

## For the financial year ended 30 June 2015

| | Note | 30-Jun-2015 $000 | 30-Jun-2014 Restated $000 |
|---|---|---|---|
| Revenue | 2 | 304,700 | 250,943 |
| Other income | 2 | 8,478 | 299 |
| On hire labour and training costs | | (251,716) | (214,778) |
| Employee benefits expense | | (22,879) | (15,171) |
| Occupancy expense | | (3,676) | (2,042) |
| Travel expense | | (627) | (373) |
| Advertising and marketing expense | | (419) | (415) |
| Management fees | | - | (110) |
| Audit, legal and professional fees | | (612) | (244) |
| Insurance expense | | (673) | (282) |
| Depreciation and amortisation expense | 3 | (2,583) | (974) |
| Finance costs | 3 | (945) | (572) |
| Consulting fees | | (899) | (1,410) |
| Other expenses | | (4,178) | (1,779) |
| IPO and acquisition related costs | | (4,387) | - |
| **Profit before income tax** | | **19,584** | **13,092** |
| Income tax expense | 5 | (5,908) | (3,944) |
| **Profit for the year** | | **13,676** | **9,148** |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the period** | | **13,676** | **9,148** |
| **Basic earnings per share (cents)** | **20** | **9.66** | **32.38** |
| **Diluted earnings per share (cents)** | **20** | **9.65** | **32.38** |

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Financial Position

## As at 30 June 2015

| | Note | 30-Jun-2015<br>$000 | 30-Jun-2014<br>Restated<br>$000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 7 | 12,580 | 1,215 |
| Trade and other receivables | 8 | 37,737 | 30,051 |
| Financial assets | 9 | - | 4,785 |
| Current tax receivable | 13 | 1,974 | - |
| Other assets | 10 | 767 | 552 |
| **Total current assets** | | **53,058** | **36,603** |
| **Non-current assets** | | | |
| Property, plant and equipment | 11 | 5,222 | 2,880 |
| Deferred tax assets | 13 | 3,873 | 4,720 |
| Intangible assets | 12 | 76,216 | 21,515 |
| **Total non-current assets** | | **85,311** | **29,115** |
| **Total assets** | | **138,369** | **65,718** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 14 | 22,300 | 18,667 |
| Borrowings | 15 | 226 | 9,043 |
| Other liabilities | 16 | - | 212 |
| Current tax payable | 13 | - | 2,557 |
| Provisions | 17 | 2,485 | 1,539 |
| **Total current liabilities** | | **25,011** | **32,018** |
| **Non-current liabilities** | | | |
| Other liabilities | 16 | 4,660 | 180 |
| Deferred tax liabilities | 13 | 5,551 | 2,159 |
| Provisions | 17 | 271 | 290 |
| **Total non-current liabilities** | | **10,482** | **2,629** |
| **Total liabilities** | | **35,493** | **34,647** |
| **Net assets** | | **102,876** | **31,071** |
| **Equity** | | | |
| Share capital | 18 | 149,929 | 3 |
| Common control reserve | 19 | (57,687) | - |
| Retained earnings | | 10,634 | 31,068 |
| **Total Equity** | | **102,876** | **31,071** |

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Changes in Equity

## For the financial year ended 30 June 2015

| | Share Capital $000 | Common Control Reserve $000 | Retained Earnings $000 | Total $000 |
|---|---|---|---|---|
| **For the year ended 30 June 2015** | | | | |
| **Balance at 1 July 2014 (restated)** | 3 | - | 31,068 | 31,071 |
| Profit for the period | - | - | 13,676 | 13,676 |
| Other comprehensive income for the period | - | - | - | - |
| **Total comprehensive income for the period** | **-** | **-** | **13,676** | **13,676** |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends paid | - | - | (34,110) | (34,110) |
| Common control business combination | 57,687 | (57,687) | - | - |
| Shares issued to acquire Integracom | 10,000 | - | - | 10,000 |
| Shares issued through initial public offering, net of IPO costs | 82,239 | - | - | 82,239 |
| **Balance at 30 June 2015** | **149,929** | **(57,687)** | **10,634** | **102,876** |
| | | | | |
| **For the year ended 30 June 2014 (restated)** | | | | |
| **Balance at 1 July 2013** | 1,450 | - | 26,081 | 27,531 |
| Profit for the financial period | - | - | 9,148 | 9,148 |
| Other comprehensive income for the period | - | - | - | - |
| **Total comprehensive income for the period** | **-** | **-** | **9,148** | **9,148** |
| Transactions with owners in their capacity as owners: | | | | |
| Dividends paid | - | - | (4,160) | (4,160) |
| Repayment of capital | (1,447) | - | - | (1,447) |
| **Balance at 30 June 2014** | **3** | **-** | **31,068** | **31,071** |

*The accompanying notes form part of these financial statements.*

# Consolidated Statement of Cash Flows

## For the financial year ended 30 June 2015

| | Note | 30-Jun-2015 $000 | 30-Jun-2014 Restated $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers | | 337,647 | 268,062 |
| Payments to suppliers and employees | | (322,277) | (258,803) |
| Payments in relation to IPO and acquisition related costs | | (3,576) | - |
| Interest received | | 383 | 195 |
| Finance costs paid | | (266) | (572) |
| Income taxes paid | | (7,398) | (4,350) |
| **Net cash inflow from operating activities** | **22** | **4,513** | **4,532** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | (1,554) | (1,728) |
| Proceeds from sale of property plant and equipment | | 165 | 41 |
| Payments for intellectual property | | (1,768) | (311) |
| Payments for businesses acquired net of cash | **23** | (32,788) | (4,009) |
| **Net cash outflow from investing activities** | | **(35,945)** | **(6,007)** |
| **Cash flows from financing activities** | | | |
| Net (repayment of)/proceeds from external borrowings | | (5,819) | 2,957 |
| Net proceeds of related party borrowings | | 487 | 4,464 |
| Dividend paid | | (34,110) | (4,160) |
| Net proceeds from issue of shares / (repayment of capital) | | 82,239 | (1,447) |
| **Net cash inflow from financing activities** | | **42,797** | **1,814** |
| **Net cash increase / (decrease) in cash and cash equivalents** | | **11,365** | **339** |
| Cash and cash equivalents at beginning of the period | | 1,215 | 876 |
| **Cash and cash equivalents at end of the period** | | **12,580** | **1,215** |

*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 2015 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 2015.

### 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.

As detailed in Business Combinations note (g) of this Accounting Policy note, a number of entities, which were formerly owned by Ross Shrimpton and his related family entities were acquired by the Company on 1 July 2014, have been regarded as "entities under common control". The comparatives have been restated to reflect all of these entities as if they were owned by the Company at the beginning of the earliest comparative period, being 1 July 2013, and treated as a single consolidated entity.

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

The consolidated financial statements have been prepared on a going concern basis.

### e. Adoption of new and revised Accounting Standards

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 2014:

**AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities**

- AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
- AASB 2012-3 is applicable to annual reporting periods beginning on or after 1 January 2014.
- The adoption of these amendments has not had a material impact on the Group as the amendments merely clarify the existing requirements in AASB 132.

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

- Contains narrow-scope amendments which address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- When developing IFRS 13 *Fair Value Measurement*, the IASB decided to amend IAS 36 *Impairment of Assets* to require disclosures

about the recoverable amount of impaired assets. The IASB noticed however that some of the amendments made in introducing those requirements resulted in the requirement being more broadly applicable than the IASB had intended. These amendments to IAS 36 therefore clarify the IASB's original intention that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- AASB 2013-3 makes the equivalent amendments to AASB 136 *Impairment of Assets* and is applicable to annual reporting periods beginning on or after 1 January 2014.
- The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

**AASB 2013-5 *Amendments to Australian Accounting Standards – Investment Entities***

- The amendments in AASB 2013-5 provide an exception to consolidation to investment entities and require them to measure unconsolidated subsidiaries at fair value through profit or loss in accordance with AASB 9 Financial Instruments (or AASB 139 Financial Instruments: Recognition and Measurement where AASB 9 has not yet been adopted). The amendments also introduce new disclosure requirements for investment entities that have subsidiaries.
- These amendments apply to investment entities, whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. Examples of entities which might qualify as investment entities would include Australian superannuation entities, listed investment companies, pooled investment trusts and Federal, State and Territory fund management authorities.
- This Standard has not had any impact on the Group as it does not meet the definition of an 'investment entity' in order to apply this consolidation exception.

**AASB 2014-1 Amendments to Australian Accounting Standards (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles)**

- Part A of AASB 2014-1 makes amendments to various Australian Accounting Standards arising from the issuance by the IASB of International Financial Reporting Standards Annual Improvements to IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.
- Among other improvements, the amendments arising from Annual Improvements to IFRSs 2010-2012 Cycle:
- clarify that the definition of a 'related party' includes a management entity that provides key management personnel services to the reporting entity (either directly or through a group entity);
- amend AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria;
- Among other improvements, the amendments arising from Annual Improvements to IFRSs 2011-2013 Cycle clarify that an entity should assess whether an acquired property is an investment property under AASB 140 Investment Property and perform a separate assessment under AASB 3 Business Combinations to determine whether the acquisition of the investment property constitutes a business combination;
- Part A of AASB 2014-1 is applicable to annual reporting periods beginning on or after 1 July 2014;
- The adoption of these amendments has not had a material impact on the Group as they are largely of the nature of clarification of existing requirements.

### 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 2015 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.

## Notes to the Financial Statements

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 2014).**

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 de-recognition 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.

**AASB 15: Revenue from Contracts with Customers**

The standard provides a single standard for revenue recognition and replaces AASB118 Revenue, AASB11 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. Management has not formally fully considered the implications of adopting this standard. There is expected to be no material impact on the transaction and balances recognised in the financial statements. It is expected that the AASB will defer the effective date to reporting periods beginning on or after 1 January 2018.

### 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

# Notes to the Financial Statements

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.

On 1 July 2014, the group acquired a number of related entities. 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.

As a result of the above, 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 liabilities rather than reassessing these to more subjective and uncertain fair values.

In this Annual Report the comparatives have been restated to reflect all of these entities as if they were owned by the Company at the beginning of the earliest comparative period, being 1 July 2013, and treated as a single consolidated entity.

## h. Basis of consolidation

The Group financial statements consolidate those of Ashley Services Group Limited and all of its subsidiaries as of 30 June 2015. 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.

Where work has been undertaken, and has not yet been billed or claimed from the relevant sponsoring authority, a "Work in Progress" balance is recognised within "Other receivables" after adjusting for an estimate of potentially unsuccessful claims.

### 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.

# Notes to the Financial Statements

### 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.

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

### Other intangibles

Intangibles acquired by the group are stated at fair value less accumulated amortisation and impairment losses. Amortisation is charged to the profit or loss on a straight line basis over the estimated useful life.

Estimated useful life of intangibles is as follows:

| | |
|---|---|
| Customer relationships | 7 years |
| Licenses | 5 years |
| Intellectual property<br>- Course material | 7 years |

Intangible assets, such as Brands, which are deemed to have an indefinite useful life are not amortised, but are assessed for impairment annually, within the CGU to which they are attributed. Where impairment is recognised, it is recorded in the profit or loss in the period the impairment is identified.

## k. 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.

# Notes to the Financial Statements

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.

### 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 de-recognised and the net amounts recognised pursuant to the funding arrangement are 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.

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

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).

# Notes to the Financial Statements

## 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 useful asset's life to the Group commencing from the time the assets are 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% |
| Leasehold improvements | 20.00% - 40.00% |

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.

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 high quality corporate 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.

# Notes to the Financial Statements

## 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, 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.

## w. Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

### Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

#### *Determination of Cash Generating Units for purpose of impairment reviews*

Determination of the Cash Generating Units ("CGUs") for purpose of impairment reviews is a key judgement made by management. Management has undertaken a formal assessment of what constitutes the CGUs, by reference to the level of information routinely distributed to the Chief Operating Decision Makers, as being consistent with the two operating segments of the Group, being Training and Labour Hire.

#### *Assessment of the potential IMF claim against ASG which IMF proposes to fund*

Management has formally considered the potential class action claim that may be brought against ASG. Management's view is that the potential claim would be without substance, and the likelihood of any unfavourable material outcome resulting from this claim is considered low. Based on this assessment, neither a provision, nor disclosure as a contingent liability are considered necessary. (Refer Note 30).

#### *Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

## Notes to the Financial Statements

**Estimation uncertainty**

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

***Impairment***

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Both future operating results and discount rates are discussed in Note 12. In 2015, the Group recognised an impairment loss on Customer Relationships (see Note 12c).

***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. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

***Business combinations***

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 23). The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 28). The fair value of acquired intangibles is also subject to a number of assumptions. This involves developing estimates and assumptions consistent with how market participants would price the identified asset. Management bases its assumptions on observable or benchmark data as far as possible but this is not always available. In that case management uses the best information available.

***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 doing this, management considers the likelihood of employees reaching a qualifying period of service and adjust the valuation for these estimated probabilities.

***Long term incentive plan***

In determining the provision for senior management's long term incentive plan, consideration is given to the probability the required "earnings per share" performance requirement will be achieved.

### 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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Operating activities: | | |
| Training revenue | 43,662 | 27,114 |
| Labour hire revenue | 261,038 | 223,829 |
| | **304,700** | **250,943** |
| Other income: | | |
| Interest received | 383 | 195 |
| Sundry income[1] | 8,095 | 104 |
| | **8,478** | **299** |

Note:

1. Sundry income includes $7,790,271 from the write back of fair value of deferred consideration, payable for the Integracom and Concept acquisitions

## 3. EXPENSES

Profit before income tax includes the following specific expenses:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Finance costs** | | |
| Interest expense | 639 | 349 |
| Bank fees | 306 | 223 |
| | **945** | **572** |
| **Depreciation** | | |
| Motor vehicles | 131 | 177 |
| Office equipment | 680 | 439 |
| Leasehold improvements | 261 | 204 |
| | **1,072** | **820** |
| **Amortisation** | | |
| Customer contracts and relationships – amortisation | 286 | 47 |
| Customer contracts and relationships – impairment | 476 | - |
| Intellectual property | 220 | - |
| Course material | 471 | 107 |
| Licences | 58 | - |
| | **1,511** | **154** |

# Notes to the Financial Statements

## 4. AUDITOR'S REMUNERATION

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| **Auditor of the parent entity – Grant Thornton** | | |
| Audit or review of financial reports under the *Corporations Act 2001* | 206 | 119 |
| Tax advisory | - | 3 |
| Financial due diligence services relating to IPO[1] | - | 205 |
| Financial due diligence services related to acquisitions | 30 | - |
| **Total Remuneration** | **236** | **327** |
| | | |
| **Other entities** | | |
| In addition to the above, the related entities detailed in Note 24 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 | 95 | 38 |
| | **95** | **38** |

**Note:**
1. Fees in relation to Investigating Accountant services for the initial public offering. These fees were recognised as a prepayment in June 2014 and have been expensed in FY15.

## 5. INCOME TAX EXPENSE

### a. Components of tax expense

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Current tax expense | 2,860 | 2,069 |
| Deferred tax – origination and reversal of temporary differences | 3,029 | 1,884 |
| Over/(under) provision of tax in prior year | 19 | (9) |
| **Income tax expense** | **5,908** | **3,944** |

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

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Net profit before tax | 19,584 | 13,092 |
| Prima facie tax expense on net profit from ordinary activities before income tax at 30% (2014: 30%) | 5,875 | 3,928 |
| Add / (less): | | |
| Tax effect of: | | |
| – Entertainment - Client | 12 | 24 |
| – Entertainment – Other | 2 | 2 |
| – Over/(under) provision of tax in prior year | 19 | (9) |
| **Income tax expense** | **5,908** | **3,944** |

The tax rate used in the above reconciliation is the corporate tax rate of 30 per cent 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.

# Notes to the Financial Statements

## 6. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Short-term employee benefits | 2,633 | 1,045 |
| Post-employment benefits | 136 | 93 |
| IPO related share based payments | 473 | - |
| Long-term employee benefits | - | - |
| **Total** | **3,242** | **1,138** |

- Individual director and key management personnel disclosures

Detailed remuneration disclosures are included in the Director's Report. The relevant information can be found in the Remuneration section of the report on page 23, Tables 10 and 11.

## 7. CASH AND CASH EQUIVALENTS

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Cash on hand | 10 | 7 |
| Cash at bank | 12,570 | 1,208 |
| | **12,580** | **1,215** |

## 8. TRADE AND OTHER RECEIVABLES

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| **Current** | | |
| Trade receivables | 24,330 | 25,125 |
| Allowance for impairment of trade receivables | (803) | (868) |
| Other receivables | 14,210 | 5,794 |
| | **37,737** | **30,051** |

# Notes to the Financial Statements

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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Current | 16,199 | 16,797 |
| Past due 0 – 30 days (not considered impaired) | 4,859 | 6,825 |
| Past due 31 – 60 days (not considered impaired) | 1,247 | 223 |
| Past due 60+ days (not considered impaired) | 1,222 | 412 |
| Past due 60+ days (considered impaired (b)) | 803 | 868 |
| | **24,330** | **25,125** |

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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Balance at beginning of year | 868 | 741 |
| Increase through business combinations | 257 | - |
| Increase/(decrease) in allowance recognised in profit or loss | (128) | 127 |
| Amounts written-off | (194) | - |
| **Balance at end of year** | **803** | **868** |

## 9. FINANCIAL ASSETS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Director related loans (a) | - | 4,785 |
| | **-** | **4,785** |

### a. Director loans

Loans to directors were unsecured. Interest was charged on the loan at market rates. The loans were repaid during the year ended 30 June 2015.

## 10. OTHER ASSETS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Prepayments | 492 | 436 |
| Deposits | 275 | 116 |
| | **767** | **552** |

# Notes to the Financial Statements

## 11. PROPERTY PLANT AND EQUIPMENT

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Motor vehicles** | | |
| Cost | 663 | 526 |
| Accumulated depreciation | (300) | (161) |
| | **363** | **365** |
| **Office equipment** | | |
| Cost | 4,922 | 3,213 |
| Accumulated depreciation | (2,720) | (1,899) |
| | **2,202** | **1,314** |
| **Leasehold improvements** | | |
| Cost | 2,193 | 1,732 |
| Accumulated depreciation | (303) | (703) |
| | **1,890** | **1,029** |
| **Capital works in progress** | | |
| Cost | 767 | 172 |
| Accumulated depreciation | - | - |
| | **767** | **172** |
| **Total property, plant and equipment** | **5,222** | **2,880** |

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

| 2015 | Motor vehicles $000 | Office equipment $000 | Leasehold improvements $000 | Capital Work In Progress $000 | Total $000 |
|---|---|---|---|---|---|
| Balance at 1 July 2014 | 365 | 1,314 | 1,029 | 172 | 2,880 |
| Additions | - | 688 | 271 | 595 | 1,554 |
| Acquisition through business combination | 265 | 904 | 851 | - | 2,020 |
| Disposals | (136) | (24) | - | - | (160) |
| Depreciation expense | (131) | (680) | (261) | - | (1,072) |
| **Balance at 30 June 2015** | **363** | **2,202** | **1,890** | **767** | **5,222** |

# Notes to the Financial Statements

| 2014 | Motor vehicles $000 | Office equipment $000 | Leasehold improvements $000 | Capital Work In Progress $000 | Total $000 |
|---|---|---|---|---|---|
| Balance at 1 July 2013 | 425 | 956 | 408 | 179 | **1,968** |
| Additions | 154 | 756 | 765 | 53 | **1,728** |
| Acquisition through business combinations | 23 | 41 | - | - | **64** |
| Transfers | - | - | 60 | (60) | - |
| Disposals | (60) | - | - | - | **(60)** |
| Depreciation expense | (177) | (439) | (204) | - | **(820)** |
| **Balance at 30 June 2014** | **365** | **1,314** | **1,029** | **172** | **2,880** |

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

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Goodwill** | | |
| Cost | 66,174 | 19,743 |
| Accumulated impairment (a) | - | - |
| **Net carrying value** | **66,174** | **19,743** |
| **Customer relationships** | | |
| Cost | 1,562 | 1,562 |
| Accumulated impairment | (476) | - |
| Accumulated amortisation | (333) | (47) |
| **Net carrying value** | **753** | **1,515** |
| **Intellectual property / brand names** | | |
| Cost | 9,968 | 764 |
| Accumulated amortisation | (1,121) | (507) |
| **Net carrying value** | **8,847** | **257** |
| **Licences** | | |
| Cost | 500 | - |
| Accumulated amortisation | (58) | - |
| **Net carrying value** | **442** | **-** |
| **Total intangible assets** | **76,216** | **21,515** |

# Notes to the Financial Statements

## a. Impairment tests for goodwill

The movements in the net carrying amount of goodwill are as follows:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Training | 53,279 | 6,848 |
| Labour Hire | 12,895 | 12,895 |
| **Goodwill allocation at 30 June 2015** | **66,174** | **19,743** |

The recoverable amounts of the cash-generating units were determined based on value-in-use calculations, covering a detailed forecast for the next three years, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management. The present value of the expected cash flows of each segment is determined by applying a suitable discount rate.

| | Growth Rates | | Discount Rates | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| Training | 2% | 2% | 16.9% | 9.5% |
| Labour Hire | 2% | 2% | 18.7% | 18.2% |

The growth rates conservatively reflect the long-term average growth rates for the respective sectors. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

## b. Cash flow assumptions for the detailed forecast

### Training division

The recoverable amount of the Training division has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets and forecasts approved by management covering a three-year period, and a pre-tax discount rate of 16.9 per cent. Cash flows beyond that three-year period have been extrapolated using a steady 2 per cent growth rate. This growth rate does not exceed the long-term average growth rate for Australia.

Management's key assumption is that revenues for the Training division will grow significantly over the first three years, as a result of an increase in student numbers combined with a diversification of revenue streams. This anticipated future growth is in part attributable to market opportunities with the newly acquired subsidiaries.

Management confirms that the discounted cash flow analysis conducted provide cash flow projections well above the carrying amount of the Training division goodwill and has determined no impairment is required. Management has also run various sensitivity scenarios, and other than the Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) assumption, there are no reasonably possible changes in any of the key assumptions that would cause the carrying value to materially exceed its recoverable amount. With the EBITDA assumptions, under the various sensitivity scenarios, a recoverable amount in excess of carrying value is contingent upon achieving a sustainable EBITDA in the training division of $14.8 million at the end of the three year forecast period. For every ongoing 1 per cent drop in earnings below those forecasts, ASG would have to recognise an impairment against goodwill of $1 million.

# Notes to the Financial Statements

### Labour hire

The recoverable amount of the Labour Hire division has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets and forecasts approved by management covering a three year period, and a pre-tax discount rate of 18.7 per cent. Cash flows beyond that three-year period have been extrapolated using a steady 2 per cent growth rate. This growth rate does not exceed the long-term average growth rate for Australia.

Management's key assumption is that revenues for the Labour Hire division will grow steadily over the three year cash flow projection period, but that EBITDA margin will decline to a sustainable 3 per cent (before Corporate overhead allocations).

Management confirms that the discounted cash flow analysis conducted provide cash flow projections well above the carrying amount of the  Labour Hire division goodwill and has determined no impairment is required. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying value to materially exceed its recoverable amount.

## c. Intangible assets – detailed reconciliation

| 2015 | Goodwill $000 | Customer relationships $000 | Licences $000 | Intellectual Property/Brand Names $000 | Total $000 |
|---|---|---|---|---|---|
| Balance at 1 July 2014 | 19,743 | 1,515 | - | 257 | 21,515 |
| Purchased | - | - | 500 | 1,268 | 1,768 |
| Acquired through business combinations | 46,431 | - | - | 8,013 | 54,444 |
| Amortisation | - | (286) | (58) | (691) | (1,035) |
| Impairment charge[1] | - | (476) | - | - | (476) |
| **Balance at 30 June 2015** | **66,174** | **753** | **442** | **8,847** | **76,216** |

Note:
1. Relates to impairment of relationship with a major customer acquired through the Concept acquisition.

| 2014 | Goodwill $000 | Customer relationships $000 | Intellectual Property/Brand Names $000 | Total $000 |
|---|---|---|---|---|
| Balance at 1 July 2013 | 16,455 | - | 53 | 16,508 |
| Purchased | - | - | 311 | 311 |
| Acquired through business combinations | 3,288 | 1,562 | - | 4,850 |
| Amortisation | - | (47) | (107) | (154) |
| **Balance at 30 June 2014** | **19,743** | **1,515** | **257** | **21,515** |

# Notes to the Financial Statements

## 13. TAX BALANCES

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| **Current assets** | | |
| Income tax receivable | 1,974 | - |
| **Non-current assets** | | |
| Deferred tax assets (a) | 3,873 | 4,720 |
| **Current tax liabilities** | | |
| Income tax payable | - | 2,557 |
| **Non-current liabilities** | | |
| Deferred tax liabilities (a) | 5,551 | 2,159 |

### a. Deferred tax assets and liabilities

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

| 2015 | 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 | (1,264) | - | - | (2,695) | (3,959) |
| **Non-current assets** | | | | | |
| Intangible assets | (461) | - | (1,264) | 363 | (1,362) |
| Property, plant and equipment | 11 | - | - | - | 11 |
| **Current liabilities** | | | | | |
| Trade and other payables | 3,733 | - | - | (928) | 2,805 |
| Provision | 542 | - | 54 | 231 | 827 |
| **Total** | **2,561** | **-** | **(1,210)** | **(3,029)** | **(1,678)** |

# Notes to the Financial Statements

| 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 | (507) | - | - | (757) | (1,264) |
| **Non-current assets** | | | | | |
| Intangible assets | - | - | (461) | - | (461) |
| Property, plant and equipment | (404) | - | - | 415 | 11 |
| **Current liabilities** | | | | | |
| Trade and other payables | 5,083 | - | - | (1,350) | 3,733 |
| Provision | 734 | - | - | (192) | 542 |
| **Total** | **4,906** | **-** | **(461)** | **(1,884)** | **2,561** |

## 14. TRADE AND OTHER PAYABLES

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Trade payables | 3,133 | 1,914 |
| Accrued expenses | 2,836 | 5,154 |
| GST payable | 3,988 | 3,044 |
| Sundry creditors | 12,343 | 8,555 |
| | **22,300** | **18,667** |

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.

## 15. BORROWINGS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| **Unsecured liabilities** | | |
| Loans from related parties (d) | - | 4,298 |
| **Secured liabilities** | | |
| Bank overdraft (a) | - | 3,039 |
| Subordinated facility (b) | - | 1,706 |
| Term facility (c) | - | - |
| Finance Leases (e) | 226 | - |
| | **226** | **9,043** |

# Notes to the Financial Statements

## a. Bank overdraft facility

The overdraft facility previously held with Macquarie Bank was discharged and replaced with a new facility with Bankwest Limited, comprising a $15 million working capital facility. Bankwest Limited has fixed and floating charges over the Group's assets.

## b. Subordinated facility

The subordinated facility previously held with Macquarie Bank was discharged during the financial year.

## c. Term facility

The Group established a $8 million term debt facility with Bankwest Limited to finance potential acquisition opportunities. Bankwest Limited has fixed and floating charges over the Group's assets.

## d. Loans from related parties

These loans were unsecured and non-interest bearing. The loans were repaid during the financial year ended 30 June 2015.

## e. Finance Leases

The Group has a number of finance leases on motor vehicles.

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| **Total facilities at reporting date** | | |
| Bank overdraft | 15,000 | 4,330 |
| Subordinated facility | - | 4,535 |
| Term facility | 8,000 | - |
| | **23,000** | **8,865** |
| **Used at reporting date** | | |
| Bank overdraft | - | 3,039 |
| Subordinated facility | - | 1,706 |
| Term facility | - | - |
| | **-** | **4,745** |
| **Unused at reporting date** | | |
| Bank overdraft | 15,000 | 1,291 |
| Subordinated facility | - | 2,829 |
| Term facility | 8,000 | - |
| | **23,000** | **4,120** |

# Notes to the Financial Statements

## 16. OTHER LIABILITIES

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Vendor earn-out liability (a) | - | 212 |
| **Non-Current** | | |
| Vendor earn-out liability (a) | 4,660 | 180 |

### a. Vendor earn-out liability

The Vendor earn-out liability comprises the fair value of estimated consideration payments which are payable to vendors in relation to the business acquisitions of Integracom on 21 August 2014, Cantillon on 25 September 2014 and SILK on 30 April 2015. These are payable over periods of one to three years post-acquisition.

During the year ended 30 June 2015, the fair value of the Vendor earn-out liabilities in relation to the Integracom and Concept acquisitions were re-assessed. This resulted in a $7.8 million reduction in the total Vendor earn-out liability to $4.7 million.

## 17. PROVISIONS

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Current** | | |
| Employee benefits | 2,485 | 1,539 |
| **Non-current** | | |
| Employee benefits | 271 | 290 |

### a. Reconciliation of employee provisions

| | 2015 $000 | 2014 $000 |
|---|---|---|
| Opening balance | 1,829 | 734 |
| Add: acquired through business combination | 178 | 305 |
| Less: leave taken during the year | (788) | (767) |
| Add: leave provided for during the year | 1,537 | 1,557 |
| **Closing balance** | **2,756** | **1,829** |

# Notes to the Financial Statements

## 18. SHARE CAPITAL

The Group does not have any share options on issue as at the date of this report. Details of share capital of the group are as follows:

| | 2015 $000 | 2014 $000 |
|---|---|---|
| 150,000,000 (Jun-14: 2,870) fully paid ordinary shares | 149,929 | 3 |

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.

### a. Reconciliation of ordinary shares

| | Share Capital (Shares) | Share Capital $000 |
|---|---|---|
| **As at 30 June 2013** | **2,866** | **1,450** |
| "Z" ordinary shares converted | 4 | 0 |
| Repayment of capital | n/a | (1,447) |
| **As at 30 June 2014** | **2,870** | **3** |
| Share split (approximately 9,857 new shares for every one share on issue - see note (a)) prior to common control transaction | 28,287,560 | 0 |
| Shares issued as a result of common control business combination: | | |
| • Ashley Institute Holdings Pty Limited | 55,437,415 | 50,866 |
| • ADV Services Pty Limited | 3,193,763 | 2,933 |
| • Tracmin Pty Limited | 354,863 | 323 |
| • TBRC Holdings Pty Limited | 3,854,201 | 3,533 |
| • AIVD Holdings Pty Limited | 39,429 | 32 |
| Shares subscribed by senior management and staff prior to Initial Public Offering | 488,328 | 811 |
| Shares issued by way of consideration to fund the purchase of Integracom | 6,024,096 | 10,000 |
| Shares issued through Initial Public Offering (see note (b)) | 52,317,475 | 86,847 |
| Costs associated with Initial Public Offering | n/a | (5,419) |
| **As at 30 June 2015** | **150,000,000** | **149,929** |

| | | |
|---|---|---|
| Performance Rights (see note (c)) | 380,787 | |

### Note (a)

As at 30 June 2014, the Company had 2,870 ordinary shares on issue. The share split occurred on 1 July 2014, which is the same time as the acquisition of the entities under common control.

# Notes to the Financial Statements

### Note (b)

The IPO was for the subscription by the public of 59,487,576 ordinary shares at an issue price of $1.66. However, 7,170,101 ordinary shares related to a sell down by Ross Shrimpton and his related entities as well as Marc Shrimpton. Accordingly, the net amount raised by the Group was 52,317,475 ordinary shares at an issue price of $1.66 per ordinary share.

### Note (c)

During the year, the Group issued 380,787 Performance Rights. The terms of the Performance Plan has been outlined in the Company's policy statement lodged on the ASX on 21 August 2014. A summary of these terms can also be found in the Directors' report.

## 19. RESERVES

The common control reserve has arisen following the adoption of the pooling of interest method used to account for the 1 July 2014 acquisition of the following entities:

- ADV Services Pty Limited;
- Ashley Institute Holdings Pty Limited;
- TBRC Holdings Pty Limited;
- Tracmin Pty Limited; and
- Australian Institute of Vocational Development Pty Limited.

## 20. EARNINGS PER SHARE

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Net profit after tax | 13,676 | 9,148 |
| Weighted number of ordinary shares outstanding during the year used in calculating basic earnings per share (EPS) | 141,618,754 | 28,250,162 |
| Weighted number of ordinary shares outstanding during the year used in calculating diluted earnings per share (EPS) | 141,747,074 | 28,250,162 |
| Basic earnings per share (cents) | 9.66 | 32.38 |
| Diluted earnings per share (cents) | 9.65 | 32.38 |

# Notes to the Financial Statements

## 21. 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.

| 2015 | Labour Hire $000 | Training $000 | Total $000 |
|---|---|---|---|
| Revenue | | | |
| From external customers | 261,038 | 43,662 | 304,700 |
| **Segment revenue** | **261,038** | **43,662** | **304,700** |
| Other income | 446 | 7,623 | 8,069 |
| On hired labour and training costs | (238,591) | (13,124) | (251,716) |
| Employee benefits expense | (9,336) | (12,108) | (21,444) |
| Occupancy expense | (945) | (2,696) | (3,641) |
| Travel expense | (122) | (465) | (587) |
| Advertising and marketing expense | (196) | (243) | (439) |
| Audit, legal and professional fees | (137) | (68) | (204) |
| Insurance expense | (377) | (150) | (527) |
| Depreciation and amortisation expense | (559) | (1,947) | (2,506) |
| Consulting fees | (264) | (456) | (720) |
| Other expense | (2,070) | (2,366) | (4,436) |
| **Segment Profit** | **8,887** | **17,662** | **26,549** |
| IPO and acquisition related costs | | | (4,387) |
| Other unallocated items | | | (2,578) |
| **Profit before tax** | | | **19,584** |
| Income tax expense | | | (5,908) |
| **Profit after tax** | | | **13,676** |

# Notes to the Financial Statements

| 2014 | Labour Hire $000 | Training $000 | Total $000 |
|---|---|---|---|
| Revenue | | | |
| From external customers | 223,829 | 27,114 | 250,943 |
| **Segment revenue** | **223,829** | **27,114** | **250,943** |
| Other income | 261 | 9 | 270 |
| On hired labour and training costs | (205,850) | (8,928) | (214,778) |
| Employee benefits expense | (8,385) | (6,181) | (14,566) |
| Occupancy expense | (880) | (1,093) | (1,972) |
| Travel expense | (125) | (230) | (355) |
| Advertising and marketing expense | (260) | (144) | (404) |
| Audit, legal and professional fees | (138) | (65) | (203) |
| Insurance expense | (241) | (40) | (281) |
| Depreciation and amortisation expense | (264) | (461) | (725) |
| Consulting fees | (403) | (804) | (1,208) |
| Other expense | (1,298) | (806) | (2,104) |
| **Segment Profit** | **6,246** | **8,371** | **14,616** |
| Other unallocated items | | | (1,525) |
| **Profit before tax** | | | **13,092** |
| Income tax expense | | | (3,944) |
| **Profit after tax** | | | **9,148** |

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 $117.4 million (2014: $97.7 million) which arose from sales to 3 (2014: 3) of the Group's customers whose individual revenue exceeds 10 per cent of total revenue in the Labour Hire segment.

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

# Notes to the Financial Statements

## 22. CASH FLOW INFORMATION

### Reconciliation of cash flow from operations to profit after income tax

| | Note | 2015 $000 | 2014 $000 |
|---|---|---|---|
| Profit for the year | | 13,676 | 9,148 |
| Cash flows excluded from profit attributable to operating activities | | | |
| Non-cash flows in profit | | | |
| - Depreciation and amortisation expense | | 2,583 | 974 |
| - Bad and doubtful debts | | (128) | 120 |
| - Loss on disposal of fixed assets | | 19 | 19 |
| - Gain on reassessment of deferred consideration liabilities | | (7,790) | - |
| - IPO bonuses reinvested as shares | | 811 | - |
| Changes in assets and liabilities | | | |
| - (Increase) in trade and other receivables | | (6,226) | (12,844) |
| - (Increase) in other assets | | (215) | (65) |
| - Decrease/(increase) in deferred tax asset | | 847 | (2,600) |
| - Increase/ (decrease) in trade and other payables | | 2,525 | 6,491 |
| - Increase / (decrease) in employee provisions | | 748 | 1,095 |
| - Increase / (decrease) in current tax liabilities | | (4,465) | 1,554 |
| - Increase /(decrease) in deferred tax liabilities | | 2,128 | 640 |
| Cash inflow from operations | | **4,513** | **4,532** |

# Notes to the Financial Statements

## 23. BUSINESS COMBINATIONS

### a. Current year acquisitions

The Group acquired 100 per cent of the issued share capital and voting rights of Integracom, Cantillon and SILK during the financial year. All these companies are Australian-based entities that operate within the training sector. The objective of each acquisition was to:

Integracom (acquired 21 August 2014) - increase the Group's market share in providing training in the telecommunications industry;
Cantillon (acquired 25 September 2014) - establish a foot print in the overseas students sector; and
SILK (acquired 30 April 2014) - increase the Group's market share in providing training in the hospitality industry.

Details of the business combination are as follows:

| 2015 | Integracom $000 | Cantillon $000 | SILK* $000 | Total $000 |
|---|---|---|---|---|
| Cash | 30,108 | 1,546 | 1,500 | 33,154 |
| Equity instruments | 10,000 | - | - | 10,000 |
| Fair value of contingent consideration | 8,648 | 76 | 2,775 | 11,499 |
| **Total purchase consideration** | **48,756** | **1,622** | **4,275** | **54,653** |
| Cash consideration | (30,108) | (1,546) | (1,500) | (33,154) |
| Cash acquired | 90 | 26 | 250 | 366 |
| Net cash outflow on purchase of subsidiaries | (30,018) | (1,520) | (1,250) | (32,788) |
| Assets & liabilities acquired | | | | |
| Cash and cash equivalents | 90 | 26 | 250 | 366 |
| Trade and other receivables | 1,222 | 307 | 122 | 1,651 |
| Property, plant and equipment | 1,533 | 300 | 187 | 2,020 |
| Trade and other payables | (535) | (289) | (261) | (1,085) |
| Provisions | (108) | - | (70) | (178) |
| Borrowings | (748) | (553) | - | (1,301) |
| Deferred tax liability | (900) | (364) | - | (1,264) |
| Brand names | 3,700 | 98 | - | 3,798 |
| Intellectual property | 3,000 | 1,215 | - | 4,215 |
| **Net identifiable assets** | **7,254** | **740** | **228** | **8,222** |
| **Goodwill on consolidation** | **41,502** | **882** | **4,047** | **46,431** |

*The Group has not yet finalised the purchase price allocation. This will be finalised in the 31 December 2015 interim financial report.

### Consideration transferred

Acquisition-related costs amounting to $0.75 million are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income. For further information about the deferred consideration, refer to note 16.

# Notes to the Financial Statements

### Identifiable net assets

The fair value of the identifiable intangible assets in relation to SILK has been determined provisionally at 30 June 2015. The Group is currently obtaining the information necessary to finalise its valuation. The fair value accounting for the Integracom and Cantillon acquisitions were finalised in the year ended 30 June 2015.

The fair value of intangible assets acquired as part of the business combinations amounted to:

- Integracom - $6.7 million; and
- Cantillon - $1.3 million.

### Goodwill

Goodwill on all three acquisitions has been allocated to the training cash-generating unit at 30 June 2015.

### Contribution of acquisitions to the Group's result

The contribution to Group revenues and net profits (after tax) for each of the above business combinations is as follows:

| 2015 | Revenue $000 | Profits $000 |
|---|---|---|
| Integracom | 10,153 | 2,125 |
| Cantillon | 617 | (568) |
| SILK | 766 | 257 |

### b. Prior year acquisitions

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

| | 2014 $000 |
|---|---|
| Cash | 4,009 |
| Fair value of contingent consideration (Note 28) | 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** |

# 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.

## 24. CONTROLLED ENTITIES

Set out below are the controlled entities of Ashley Services Group Limited:

| | Country of incorporation | 2015 percentage owned % | 2014 percentage owned % |
|---|---|---|---|
| Action Arndell Park Pty Limited | Australia | 100 | 100 |
| Action Workforce NSW 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 |
| Integracom Holdings Pty Limited (formerly 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 |
| Silk Group Holdings Pty Limited (formerly National Institute of Training (NSW) Pty Limited) | Australia | 100 | 100 |
| Vocational Training Australia Pty Limited | Australia | 100 | 100 |
| Ashley Apprenticeship Network Pty Limited (formerly Precast Concrete Labour Pty Limited) | Australia | 100 | 100 |
| Action Workforce AC Pty Limited | Australia | 100 | 100 |
| Action Workforce ACT Pty Limited | Australia | 100 | 100 |

## Notes to the Financial Statements

| | Country of incorporation | 2015 percentage owned % | 2014 percentage owned % |
|---|---|---|---|
| Action Workforce BAX1 Pty Limited | Australia | 100 | 100 |
| 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 |
| Tracmin Holdings Pty Limited (formerly 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 |
| ASG Integracom (AUST) Holdings Pty Limited (formerly Advance WMAM Pty Limited) | Australia | 100 | 100 |
| ASG Integracom (AUST) Pty Limited (formerly Advance WMLF Pty Limited) | Australia | 100 | 100 |
| Advance WMPM Pty Limited | Australia | 100 | 100 |
| Advance Exchange Pty Limited | Australia | 100 | 100 |
| Concept Engineering (Aust) Pty Limited | Australia | 100 | 100 |
| Concept Employment (Aust) Pty Limited | Australia | 100 | 100 |
| AIVD Holdings Pty Limited[1] | Australia | 100 | 0 |
| Australian Institute of Vocational Development Pty Limited[1] | Australia | 100 | 0 |

# Notes to the Financial Statements

| | Country of incorporation | 2015 percentage owned % | 2014 percentage owned % |
|---|---|---|---|
| TBRC Holdings Pty Limited[1] | Australia | 100 | 0 |
| The Blackadder Recruitment Company Pty Limited[1] | Australia | 100 | 0 |
| ADV Services Pty Limited[1] | Australia | 100 | 0 |
| Training Support Group Pty Limited[1] | Australia | 100 | 0 |
| Advance Recruitments Pty Limited[1] | Australia | 100 | 0 |
| Ashley Institute Holdings Pty Limited[1] | Australia | 100 | 0 |
| Ash Pty Limited[1] | Australia | 100 | 0 |
| Capra Ryan Online Learning Pty Limited[1] | Australia | 100 | 0 |
| Tracmin Pty Limited[1] | Australia | 100 | 0 |
| Integracom Unit Trust[2] | Australia | 100 | 0 |
| Cantillon Holdings Pty Limited[3] | Australia | 100 | 0 |
| College of Innovation and Industry Skills Pty Limited[4] | Australia | 100 | 0 |
| Global Education and Training Group Pty Limited[5] | Australia | 100 | 0 |

**Notes:**

1. Whilst 0% ownership, these entities were under common control and have therefore been included in the restated comparative information.
2. Integracom Unit Trust was acquired on 21 August 2014.
3. Cantillon Holdings Pty Limited was a company incorporated on 19 September 2014.
4. College of Innovation and Industry Skills Pty Limited was a company acquired on 25 September 2014.
5. Global Education and Training Group Pty Limited was a company acquired on 30 April 2015.

## 25. PARENT ENTITY DISCLOSURES

### a. Financial position

| | 2015 $000 | 2014 $000 |
|---|---|---|
| **Assets** | | |
| Current assets | 92 | 92 |
| Non-current assets | 88,479 | 283 |
| **Total assets** | **88,571** | **375** |
| **Liabilities** | | |
| Current liabilities | - | 369 |
| Non-current liabilities | - | - |
| **Total liabilities** | **-** | **369** |
| **Net assets** | **88,571** | **6** |
| **Equity** | | |
| Share capital | 92,242 | 3 |
| Retained earnings | (3,671) | 3 |
| **Total equity** | **88,571** | **6** |

# Notes to the Financial Statements

### b. Statement of profit or loss and other comprehensive income

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Profit for the year | (3,674) | 2,500 |
| Other comprehensive income | - | - |
| **Total comprehensive income** | **34,110** | **2,500** |

### c. Contingent liabilities of the Parent Entity

The Parent entity had no contingent liabilities as at 30 June 2015.

During the year ended 30 June 2015, the Group has refinanced its borrowing facilities with Bankwest. The bank has fixed and floating charges over the Group's assets.

The Group has become aware that IMF Bentham Limited ("IMF") has made a release to the ASX dated 17 August 2015 in which it announces that IMF proposes to fund claims of certain ASG shareholders against ASH with respect to alleged misstatements in, or omissions from, ASG's prospectus dated 7 August 2014 in connection with ASH's acquisition of the registered training organisation Integracom.

ASH notes that IMF has advised that no decision has yet been taken by IMF to commence proceedings and, as such, no legal proceedings have been served, and may not ever be.

ASH denies all liability in respect of claims of the nature described in IMF's announcement and management considers any potential claim, should any claim be commenced, as unjustified.

### d. Commitments for expenditure for the Parent entity

The Parent had nil committed expenditure as at 30 June 2015 (30 June 2014: nil).

## 26. RELATED PARTY TRANSACTIONS

### a. Parent company

There is no ultimate parent company for Ashley Services Group 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.

Transactions with related parties are as follows:

| | 2015 $000 | 2014 $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 | 197 | 89 |
| 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 | - | 4,785 |
| Interest on the loans to Mr Ross Shrimpton | - | 181 |
| Loan balances from entities associated with Mr Ross Shrimpton. These are unsecured and non-interest bearing loans. These loans were largely extinguished as a result of the restructure which occurred since reporting date. | 210 | 4,298 |
| Administration charge from entities associated with Mr Ross Shrimpton. These amounts are charged to the group on a cost recovery basis. | - | 302 |
| Administration charge to entities associated with Mr Ross Shrimpton. These amounts are charged to these entities on a cost recovery basis. | - | 546 |
| Fees payable to PKF Lawler Corporate Finance (NSW) Pty Limited (of which Vince Fayad is a Director) for services related to IPO, Interim Chief Financial Officer and sundry financial services. Fees were based on discounted hourly rates. | 309 | 56 |

## 27. SECURED AND CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2015.

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

The Group has become aware that IMF Bentham Limited ("IMF") has made a release to the ASX dated 17 August 2015 in which it announces that IMF proposes to fund claims of certain ASG shareholders against ASH with respect to alleged misstatements in, or omissions from, ASG's prospectus dated 7 August 2014 in connection with ASH's acquisition of the registered training organisation Integracom.

ASG notes that IMF has advised that no decision has yet been taken by IMF to commence proceedings and, as such, no legal proceedings have been served, and may not ever be.

ASG denies all liability in respect of claims of the nature described in IMF's announcement and management considers any potential claim, should any claim be commenced, as unjustified.

## 28. 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.

# Notes to the Financial Statements

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.

## 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:

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| **Change in profit** | | |
| Increase in interest rates of 1% | 124 | (47) |
| Decrease in interest rates of 1% | (124) | 47 |
| **Change in equity** | | |
| Increase in interest rates of 1% | 124 | (47) |
| Decrease in interest rates of 1% | (124) | 47 |

### 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.

# Notes to the Financial Statements

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 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.

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

| 2015 | 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 | 22,300 | - | - | 22,300 |
| Borrowings – bank | 4.4% | - | - | - | - |
| Finance leases | n/a | 226 | - | - | 226 |
| Other liabilities – Vendor earn-out | n/a | - | 4,660 | - | 4,660 |
| **Total** | | **22,526** | **4,660** | **-** | **27,186** |

| 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 | 18,667 | - | - | 18,667 |
| Borrowings – bank | 6.87% | 4,745 | - | - | 4,745 |
| Borrowings – related party loans | n/a | 4,298 | - | - | 4,298 |
| Other liabilities – Vendor earn-out | n/a | 212 | 180 | - | 392 |
| **Total** | | **27,922** | **180** | **-** | **28,102** |

#### 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 –** where quoted 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.

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, Integracom, Cantillon and SILK there were various earn out payments, which are subject to revenue and profit targets depending upon the individual acquisition.

The fair value of contingent consideration is estimated using the present value technique. The 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 have been assessed as follows:

- in relation to the acquisition of Concept, nil (out of an original maximum of $450,000)
- in relation to the acquisition of Integracom, $2 million payable in July 2017 (out of an original maximum of $15 million)
- in relation to the acquisition of Cantillon, $76,000 payable in August 2017 (out of a potential maximum of $745,000
- in the relation to the acquisition of SILK, $3 million, payable no later than August 2016, which represents the maximum potential payment under the Sale and Purchase Agreement.

The discount rate used of 6 per cent, 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.

## 29. OPERATING LEASE COMMITMENTS

**Leases as lessee**

Non-cancellable operating lease rentals are payable as follows:

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| **Leases as lessee** | | |
| Less than one year | 2,461 | 826 |
| Between one and five years | 5,423 | 539 |
| **Total** | **7,884** | **1,365** |

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.

# Notes to the Financial Statements

## 30. EVENTS AFTER THE REPORTING 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:

The Group has become aware that IMF Bentham Limited ("IMF") has made a release to the ASX dated 17 August 2015 in which it announces that IMF proposes to fund claims of certain ASH shareholders against ASH with respect to alleged misstatements in, or omissions from, ASG's prospectus dated 7 August 2014 in connection with ASH's acquisition of the registered training organisation Integracom.

ASG notes that IMF has advised that no decision has yet been taken by IMF to commence proceedings and, as such, no legal proceedings have been served, and may not ever be.

ASG denies all liability in respect of claims of the nature described in IMF's announcement and management considers any potential claim, should any claim be commenced, as unjustified.

## 31. EMPLOYEE SHARE RIGHTS PLAN

No employee Share Performance Plan existed as at 30 June 2014.

As part of the IPO, ASG implemented a performance rights share plan for its executives in financial year 2015, the details of which are outlined in the Directors' report.

## 32. DIVIDENDS

### a. Ordinary shares

| | Record Date | Payment Date | Cents Per Share | Franked Amount Per Share (Cents) |
|---|---|---|---|---|
| Final Dividend – 2014* | n/a | 1 July 2014* | 102.3 | 102.3 |
| Dividend to distribute profits from 1 July 2014 to 20 August 2014* | n/a | 20 August 2014* | 6.1 | 6.1 |
| Interim Dividend – 2015 | 6 March 2015 | 27 March 2015 | 2.3 | 2.3 |
| Final Dividend – 2015 | 4 September 2015 | 25 September 2015 | 4.1 | 4.1 |

*These dividends were paid to owners prior to the IPO.

# Notes to the Financial Statements

## b. Franking credits

| | 2015<br>$000 | 2014<br>$000 |
|---|---|---|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2014: 30%) | 6,562 | 7,150 |

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 21 September 2015.

## 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 665 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 | 146 | 129,331 | 0.09 |
| 1,001 – 5,000 | 152 | 356,731 | 0.24 |
| 5,001 – 10,000 | 86 | 699,783 | 0.47 |
| 10,001 – 100,000 | 236 | 8,461,925 | 5.64 |
| 100,001 and over | 45 | 140,352,230 | 93.57 |
| **Total** | **665** | **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 26 with a total number of shares held is 9,331.

## 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.[1] | 91,523,036 | 61.02% |
| National Nominees Limited | 10,372,097 | 6.92% |
| Challenger Limited | 7,515,833 | 5.01% |
| Greencape Capital Limited | 7,515,833 | 5.01% |

1. Includes shares held non-beneficially in trust on behalf of Holmes Management Group Pty Limited (6,024,096).

## Unquoted equity securities

There are no unquoted shares.

## On-market buy-back

There is no current on-market buy-back.

# ASX Additional Information

## Twenty largest shareholders

### Fully paid ordinary shares

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

| 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 | 20,866,674 | 13.91% |
| Holmes Management Group Pty Ltd | 6,024,096 | 4.02% |
| HSBC Custody Nominees (Australia) Limited | 4,855,344 | 3.24% |
| Citicorp Nominees Pty Limited | 2,998,030 | 2.00% |
| Bns-pot Nominees Pty Limited | 2,935,324 | 1.96% |
| J P Morgan Nominees Australia Limited | 2,657,735 | 1.77% |
| RBC Investor Services Australia Nominees Pty Limited | 2,087,765 | 1.39% |
| Aust Executor Trustees Ltd | 1,946,571 | 1.30% |
| Mr Craig Graeme Chapman | 1,700,000 | 1.13% |
| Mr Marc Shrimpton | 1,500,000 | 1.00% |
| Mr Dean Michael Shrimpton | 1,500,000 | 1.00% |
| Mr Andrew Douglas Shrimpton | 1,500,000 | 1.03% |
| Aust Executor Trustees Ltd | 1,187,867 | 0.79% |
| CVC Limited | 660,000 | 0.44% |
| Kingston Properties Pty Limited | 581,556 | 0.39% |
| Mr David  Keith Green | 453,072 | 0.30% |
| Ginga Pty Ltd | 363,000 | 0.24% |
| Peter John Turner | 321,747 | 0.21% |
| Camitosa Pty Limited | 315,636 | 0.21% |
| **Total** | **136,946,610** | **91.30%** |

## 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 10.00am on Friday 30 October 2015.  Shareholders who are unable to attend the meeting are encouraged to complete and return their proxy form that will accompany the notice of meeting.

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

## Corporate Directory

### Non-Executive Directors

Mr Peter Turner (Non-executive Chairman)
Simon Crean
Mr Vince Fayad

### Managing Director

Mr Ross Shrimpton (Managing Director)

### 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

ASH