Annual Report For the year ended 30 June 2017

MAINSTREAMBPO LIMITED AND ITS CONTROLLED ENTITIES
ABN 48 112 252 114

MAINSTREAM

/17

Contents

ABOUT US

MainstreamBPO Limited (ASX: MAI) is an Australian listed company that operates in the financial services industry.

We provide fund administration services in six countries. Our clients are primarily investment managers who outsource some or all of the back office activities to us.

Our range of global services includes:

- Fund administration services for fund managers (FundBPO, Fund Administration, Inc and Galileo Fund Services businesses)
- Superannuation administration services for superannuation trustees (SuperBPO business)
- Share registry services for listed companies and exchange-traded products (ShareBPO business)

Since inception in 2006, we have grown to support 667 funds with assets in excess of $119 billion. We employ 180 people via our operations in Australia, Singapore, Hong Kong, United States, Isle of Man and Malta.

Chairman's Report

"Our cross-border solutions enable us to support our clients' back office processes across the markets they operate in so they can focus on growing their revenue and consolidate their service provider relationships."

– Byram Johnston OAM

$ 119 Billion

Funds under Administration (FUA)

667+	192	180
FUNDS ADMINISTERED	CLIENTS	EMPLOYEES

Dear Shareholder,

On behalf of the Board we are pleased to deliver MainstreamBPO Limited's Annual Report for the 2017 financial year.

Over the last year MainstreamBPO has further grown into a global business specialising in fund administration.
Our business now employs over 180 people across offices in Australia, Singapore, Hong Kong, USA, Isle of Man and Malta. Funds under administration grew to $119 billion from $88 billion at the end of last financial year.

Whilst building our global business, the MainstreamBPO team has integrated the Fundadministration business (USA), acquired in October 2016; the Galileo Fund Services business (Isle of Man) acquired in November 2016; and the former European hedge fund business of Alter Domus (Malta). Our latest international acquisition, Trinity Fund Administration (Ireland and Cayman Islands), is expected to complete later this year. It has been inspiring to watch these likeminded teams become part of the group and embrace our culture and methodologies.

Our cross-border solutions enable us to support our clients' back office processes across the markets they operate in so they can focus on growing their revenue and consolidate their service provider relationships.

While global expansion was a large focus for the group this year, we also invested heavily in technology to boost our efficiency in processing managed fund transactions, enquiries and correspondence for our clients and their investors.

EXECUTIVE APPOINTMENTS

During the year we implemented a global operating model to support the Group's growth and long term succession plans.

A regional operating model for our key markets of Asia-Pacific, Europe and the Americas was implemented to locally manage operations and growth. Several key management appointments were also announced including a new COO and a CEO for our Australian fund administration business. We are pleased that the appointees to these roles were all internal candidates, reflecting our commitment to promoting from within.

In May 2017 I stepped down from day-to-day management duties but remain a major shareholder and actively involved with the business as Executive Chairman. The Board appointed co-founder and Director Martin Smith as my successor as CEO. Martin is highly experienced and well qualified to lead the Group into the future with the Board's full support.

THE FUTURE – A NEW NAME

The Board is committed to driving change to ensure that the company delivers on its strategy to be a leading global fund administrator. An important change we must make is to our name as "BPO" or "business process outsourcing" no longer adequately reflects the services we provide and is not well understood in some of our market segments.

Changing our group name to Mainstream Group Holdings Limited, and our subsidiaries to Mainstream Fund Services, will better reflect what we do – which is to provide a comprehensive range of fund services. If the name change is approved at the Annual General Meeting (AGM) we will have a global brand to unite our businesses under a common purpose.

On behalf of the Board, I extend our gratitude to the entire MainstreamBPO team for their work over the past year.

We look forward to another positive year for the Company and hope to see you at our Annual General Meeting on 27 September 2017.

Byram Johnston OAM
Executive Chairman

Chief Executive Officer's Report

"The majority of our monthly service fees are tied to fund size and we believe we will continue to benefit from inflows into the sector over the years ahead."

– Martin Smith.

$ 29.3 Million

Revenue

$1.4M NET PROFIT

38% YOY PROFIT GROWTH

$0.016 BASIC EPS

Dear Shareholder,

In my first report as CEO, I am pleased to state that we have delivered a strong financial result over the past year.

FINANCIAL PERFORMANCE

Our Financial Statements show significant progress, with strong growth in earnings and revenue over the past twelve months.

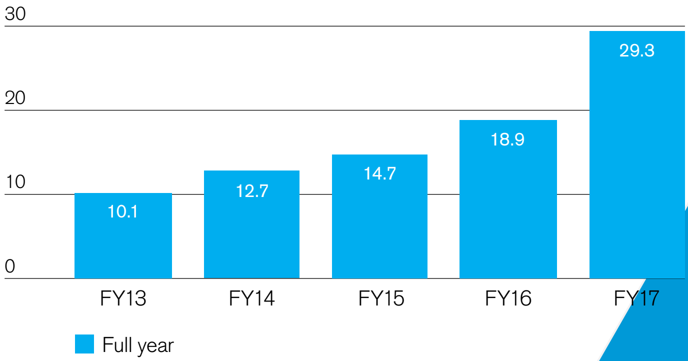
The Group's net profit after income tax increased by 38% to $1.4 million (compared to $1.0 million for the twelve months to 30 June 2016). Revenue was $29.3 million, which was an increase of 56% compared to the prior year.

GROWTH IN REVENUE AND EARNINGS

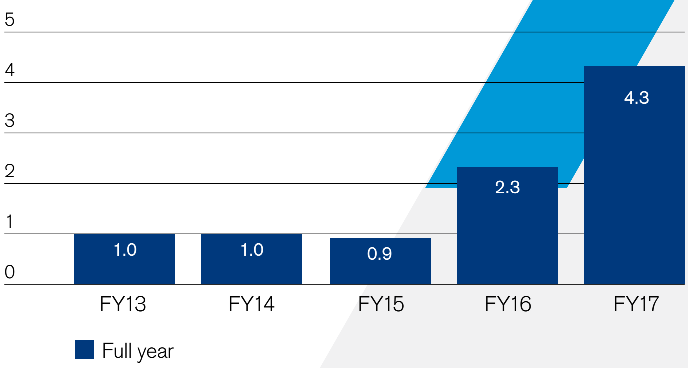
Funds under administration grew by 35% over the twelve month period to 30 June 2017, to a total of $119 billion. The majority of this growth in funds came from new or existing clients, with acquired clients contributing less than one third of increase.

GROWTH IN REVENUE AND EARNINGS

REVENUE ($000 M)



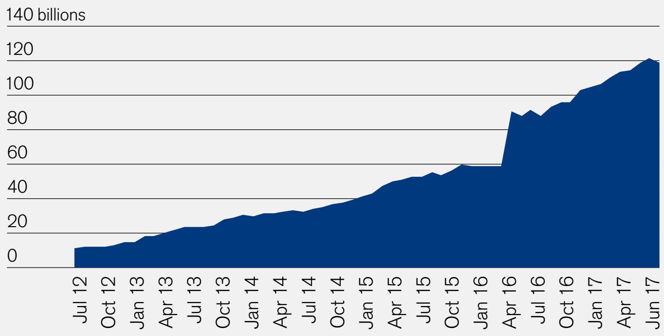
EBITDA ($000 M)



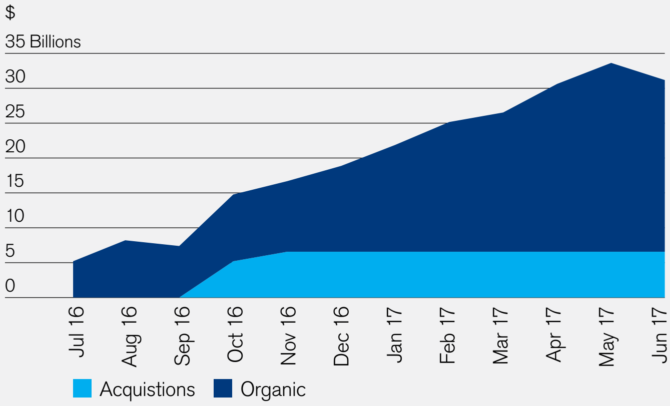
Client numbers also grew over the period. The Group now administers 667 funds for 192 clients as at 30 June 2017 (up from 434 funds for 119 clients as at 30 June 2016).

GROWTH IN FUNDS UNDER ADMINISTRATION

FUA HISTORICAL GROWTH

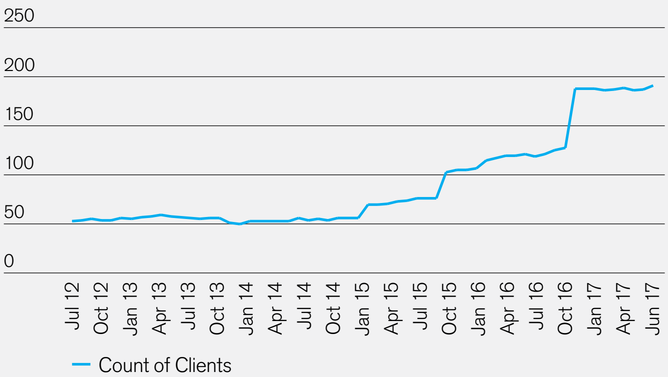


FUA INFLOWS DURING FY2017

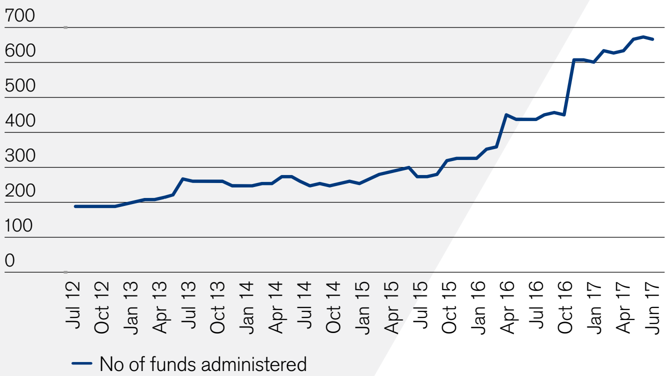


GROWTH IN CLIENTS AND FUNDS ADMINISTERED

NUMBER OF CLIENTS



NUMBER OF FUNDS ADMINISTERED



DIVIDEND

The Board has declared a fully franked final dividend for 2017 of 0.75 cents per issued share, payable on 1 November 2017. This takes the total dividends for the year to 1.25 cents per share.

All Shareholders who are recorded on the share register as at 25 October 2017 (the Record Date) have the right to participate in the Company's Dividend Reinvestment Plan (DRP) in respect to the 2017 final dividend. The DRP will operate at a 5% discount for the 2017 final dividend. A copy of the DRP is available on our website.

STRATEGIC GOALS

Below is a summary of our progress against our current growth drivers. These drivers are helping to transform our business to achieve our objective of becoming a $40 million revenue business in FY18.

1. SIGNIFICANT GROWTH IN CORE AUSTRALIAN BUSINESS

Underpinned by continued growth in Australia's investment management assets, almost 80% of our $31 billlion of fund inflows during the reporting period was from FundBPO's existing clients and new client wins. The majority of our monthly service fees are tied to fund size and we believe we will continue to benefit from inflows into the sector over the years ahead.

We have also positioned ourselves to benefit from the increased popularity in exchange-traded products and managed accounts. A number of our key clients have selected us to administer these new products as they come to market and we are now the largest independent administrator of managed accounts in Australia.

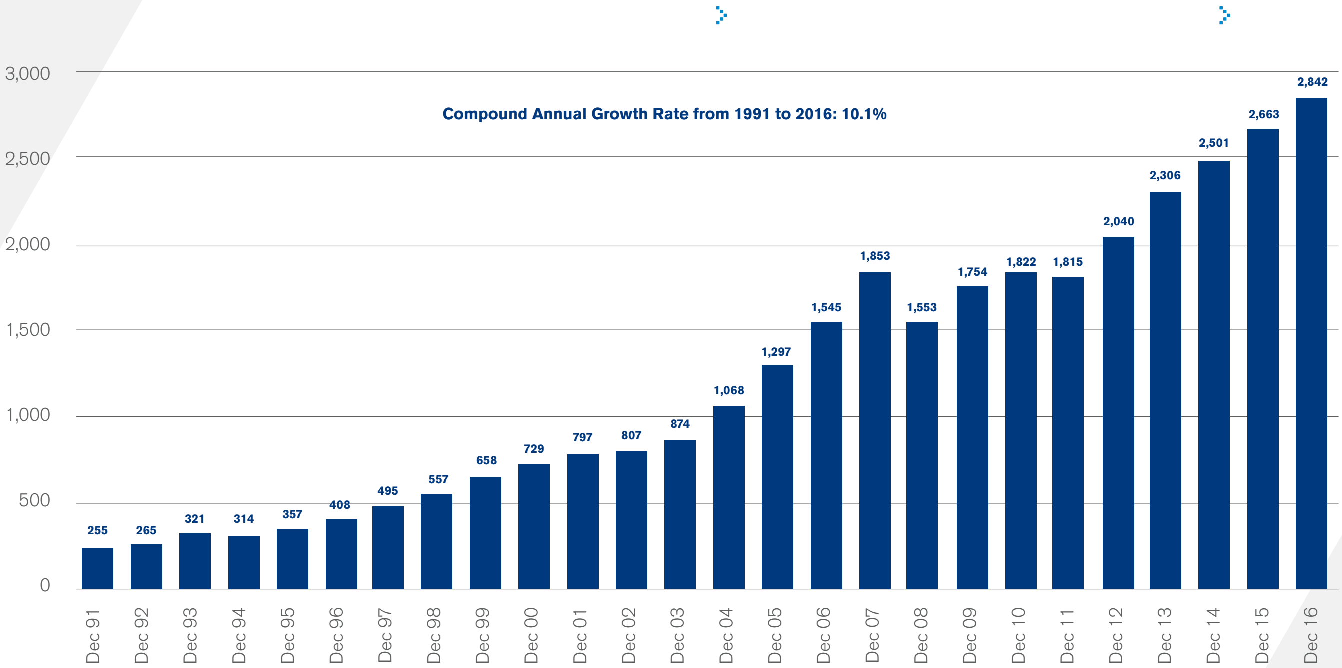
2. SIGNIFICANT GROWTH IN SINGAPORE AND HONG KONG BUSINESSES

Our operations in Singapore and Hong Kong are experiencing similar growth to that experienced by our core Australian business five years ago. Our positioning as a boutique alternative to global securities services companies has been well received in Australia and we now extend that strategy offshore with hedge funds through our established referral network. During the reporting period approximately 14% of our revenue was generated offshore. Based on current trends we anticipate global operations to contribute over half of our revenue in the coming years, led by Asia.

3. CROSS BORDER OPPORTUNITIES

With offices in six countries, we are well positioned to extend our presence in Asia-

AUSTRALIA'S MANAGED FUNDS CONSOLIDATED ASSETS ($A BILLION, 1991-2016)[1]



Continued growth of Australia's managed funds

The consolidated assets of Australia's managed funds grew at a compound annual growth rate of 10.1% between 1991 and 2016 on the back of the compulsory superannuation contribution system and are expected to continue to increase for decades to come.

1. Australian Trade and Investment Commission "Australia's Managed Funds 2017 Update" (April 2017), page 3. Total assets include funds managed by domestic collective investment institutions, other investors (including funds sourced from governments, charities and other) and overseas investors.

Pacific into Europe and North America. In particular, the acquisition of New York based *Fundadministration, Inc* opens up access to markets accounting for US $2.3 trillion in hedge fund manager assets, representing 60% of the world's hedge fund managers. North America accounted for 13% of revenue in the reporting period after only nine months of operations with the Group.

Our commitment to Europe through the acquisition of Galileo in Isle of Man and the opening of our Malta office, will be further enhanced when the acquisition of Trinity in Ireland is completed.

To date we are seeing positive interest from our clients in expanding their relationship with us across borders. We expect significant interest in onshore services in Ireland and the Cayman Islands following our acquisition of established operations in those countries, subject to regulatory approval.

Further opportunity exists in additional jurisdictions such as Luxembourg where we can potentially further extend our global client strategy.

In FY18, we will rebrand our operations to reflect our shift from a regional fund administrator to a global one and to unite our businesses under a single brand.

4. LEVERAGE TECHNOLOGY

Investment in key processes enhances our clients' service experience while adding scale to our operations.

An enterprise workflow solution and online application functionality are being implemented in our Australian fund administration business, taking us a step closer to running a paperless unit registry business. During the reporting period, we upgraded our anti-money laundering service and banking reconciliations processes along with several services to support regulatory changes such as the Common Reporting Standard (CRS), ASIC Regulatory Guide 97 (RG 97) and Attribution Managed Investment Trust (AMIT) regulations.

Outside of Australia our businesses are committed to a globally consistent operating platform for fund administration.

5. IMPROVE MARGIN

During the reporting period we saw a 2.2% increase in EBITDA margin. This was driven by an increase in offshore revenue, where we tend to see higher margins, and renegotiation of several key software contracts with fixed costs while adding capacity to the FundBPO business.

As part of our move to a global operating model, we are implementing follow-the-sun processing to leverage our existing processing centres for more commoditised back- of-house tasks and improve our margin in the medium term.

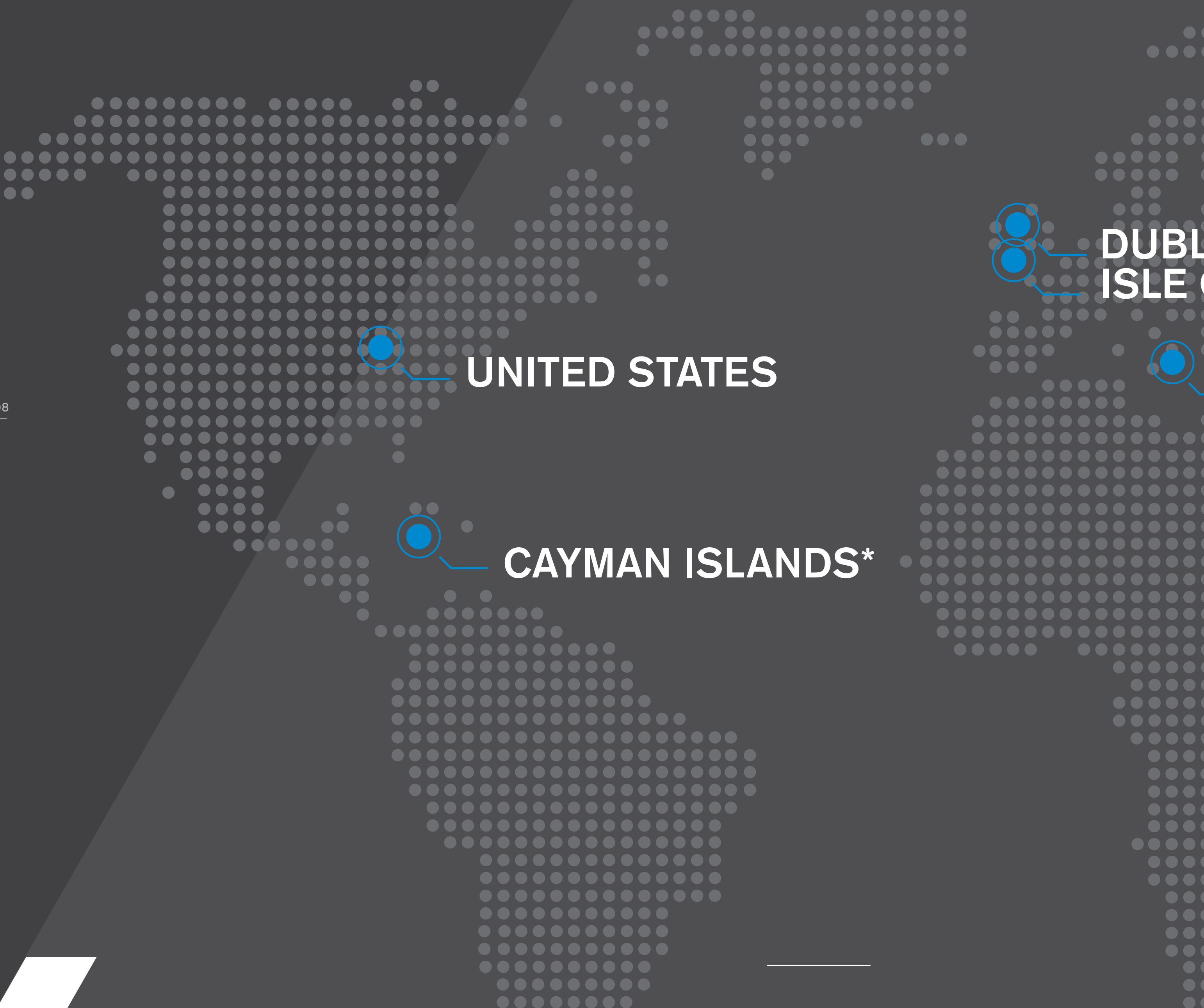
OUTLOOK

Our scalable business model and inflows position us well for the year ahead. We believe the outlook for the sector remains strong, with continued growth in our clients' funds to underpin increased profitability in future years. We also expect to see further benefits from our international expansion as the full contribution of our acquired businesses is reflected in future results.

Martin Smith
Chief Executive Officer

GLOBAL PRESENC

OUR OFFICE LOCATIONS



Within Australia we specialise in administering retail and wholesale unit trusts, exchange-traded products, managed accounts and industry and corporate superannuation funds.

Outside of Australia, we focus on servicing hedge funds, fund of funds and family office clients.

CE

MainstreamBPO now has offices in key fund jurisdictions across Asia-Pacific, Europe and North America, with operations in two additional locations (Ireland and Cayman Islands) pending regulatory approval.

* Trinity Fund Administration Offices (subject to regulatory approval)

Directors' Report

The Directors of MainstreamBPO Limited (the "Company" or "MainstreamBPO") present their report, together with the financial report of the Company and its controlled entities (the "Group"), for the year ended 30 June 2017.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Name of Directors | **Qualifications, experience and special responsibilities**

Byram Johnston OAM
Executive Chairman, MainstreamBPO

Byram is a founder and Director of MainstreamBPO. Prior to establishing MainstreamBPO, Byram was the managing partner for international consulting firms and outsourcing organisations including Arthur Andersen, Andersen Consulting, AT Kearney, PA Consulting, The IQ Business Group and FinancialBPO. He has a wealth of experience in business strategy, operating models and business process solutions. This has allowed him in more recent times to focus on the design, implementation and management of business process outsource solutions.

Byram has previously been Chairman of a number of ASX listed companies. He was the Chairman of the Audit Committee of ASIC. He holds a Bachelor of Economics and is CA qualified. He was President of the Institute of Chartered Accountants in 1995-96. Byram was awarded an Order of Australia Medal in 2005.

Byram is a member of the Audit and Risk Committee and the Remuneration and Nomination Committee.

Martin Smith
Chief Executive Officer, MainstreamBPO

Martin is a founder, CEO and Director of MainstreamBPO. Martin is responsible for the Group's global operations. Martin is a responsible manager on the FundBPO licence in Australia. Martin supervises a team in excess of 180 people. Martin has worked in the fund services sector for over 15 years and brings a wealth of process, technology and client service experience to the company. Prior to MainstreamBPO Martin worked for FinancialBPO, The IQ Business Group and Andersen Consulting designing, implementing and managing outsourcing/shared services arrangements across a range of industries including Financial Services, Government, Health, Real Estate, Logistics and Information Technology. Martin holds a Bachelor of Business, Masters of Commerce, is a CPA and is RG 146 compliant.

Michael Houlihan
Chief Executive Officer, SuperBPO

Michael has worked for MainstreamBPO subsidiary SuperBPO since 2010 and joined the MainstreamBPO Board on 5 May 2015. Michael's professional experience includes more than 20 years of senior leadership in Superannuation and Financial Services. He has held roles including Head of Product and Technical Services at both JBWere Investment Management and Vanguard Investments Australia, Senior Consultant and Administration Manager at Buck Consultants and Senior Administrator at Australian Eagle Insurance as well as running his own business Australian Money Planners. Michael holds a Diploma of Superannuation Management from Macquarie University and a Graduate Certificate of Business Administration from the University of Southern Queensland.

John Plummer
Non-Executive Director

John joined the MainstreamBPO Board on 1 July 2015. John's professional experience includes more than 30 years of strategy, outsourcing, investment and business leadership experience.

John held executive and non-executive roles with Chandler Macleod Ltd, retiring as Deputy Chairman following the acquisition of the company by overseas interests. He has previously served on the boards of listed investment companies and Industry Super Funds. He sits on the boards of several private companies in recruitment, technology and investment markets. John is a past National President and life member of the Recruitment and Consulting Services Association and a Fellow of the Governance Institute of Australia.

He holds a Bachelor of Commerce (Marketing) from the University of New South Wales and a Masters of Business Administration from Macquarie University.

John is the Chair of the Remuneration and Nomination Committee and member of the Audit and Risk Committee.

Lucienne Layton
Non-Executive Director

Lucienne joined the MainstreamBPO Board on 13 July 2015. Lucienne's professional experience includes more than 25 years of experience in financial services covering a range of corporate roles including Chief Risk and Compliance Officer and General Counsel. As an executive she has provided leadership for two major acquisitions and mergers and has led significant change and transformation programs.

She has held roles including Executive General Manager of Corporate Services at Superpartners, Transformation Director, Risk and Control Frameworks at Westpac, Partner of Risk Advisory at PwC and a Senior Executive at ASIC with responsibility for consumer protection.

Lucienne is a graduate member of the Australian Institute of Company Directors and has been a Board Member and Member of Board Committees in the Industry Association and Not for Profit spaces over a number of years. Lucienne holds a Bachelor of Commerce and a Bachelor of Laws from the University of New South Wales, a Master of Laws from the University of Sydney, and an MBA (Executive) and a Graduate Diploma in Change Management from the Australian Graduate School of Management.

Lucienne is the Chair of the Audit and Risk Committee and member of the Remuneration and Nomination Committee.

BOARD COMMITTEES

To assist it in undertaking its duties, the Board has established the following standing committees:

- the Audit and Risk Committee (ARC); and
- the Remuneration and Nomination Committee (RemCo).

Each committee has its own charter, copies of which are available on the Company website. The charters specify the objectives, responsibilities, duties, composition, reporting obligations, meeting arrangements, authority and resources available to the committees and the provisions for review of the charter. Details of Directors' membership of each committee and those eligible members' attendance at meetings throughout the period from 1 July 2016 to 30 June 2017 are set out below.

COMPANY SECRETARY

Alicia Gill was appointed Company Secretary on 1 May 2017. Alicia has over 15 years of financial services experience gained from working for both boutiques and large global institutions such as Macquarie Bank and Nomura Securities. Alicia holds a Bachelor of Business from the University of Technology, Sydney, with majors in finance and marketing.

Prior to 1 May 2017, Justin O'Donnell (Chief Financial Officer and Chief Operating Officer) was the Company Secretary of MainstreamBPO. Prior to joining the Company, Justin held roles at PWC and NYSE listed technology company Cyan Inc. Justin holds a Bachelor of Business from the University of Technology, Sydney. He is a Chartered Accountant in Australia and a Certified Public Accountant in the USA.

DIRECTORS' MEETINGS

The number of meetings of the Board and Board Committees held during the year ended 30 June 2017 and the number of those meetings attended by each Director is set out below:

	Board		Audit and Risk Committee		Remuneration and Nomination Committee	
Director	**Held while a Director**	**Attended**	**Held while a member**	**Attended**	**Held while a member**	**Attended**
Byram Johnston	11	11	4	4	1	1
Martin Smith	11	11	–	–	–	–
Michael Houlihan	11	11	–	–	–	–
John Plummer	11	11	4	4	1	1
Lucienne Layton	11	8	4	4	1	0

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

The interests of the Directors in the shares of MainstreamBPO Limited for the years ended 30 June 2017 and 2016 were:

2017 Director	Direct Shares	Indirect Shares*	ESP Performance Rights**	Total
Byram Johnston	160,656	23,015,988	635,000	23,811,644
Martin Smith	153,333	23,649,562	793,334	24,596,229
Michael Houlihan	63,333	172,600	360,001	595,934
John Plummer	12,005,269	–	–	12,005,269
Lucienne Layton	–	–	–	–
Total	**12,382,591**	**46,838,150**	**1,788,335**	**61,009,076**

2016 Director	Direct Shares	Indirect Shares*	ESP Performance Rights**	Total
Byram Johnston	52,323	23,687,500	390,000	24,129,823
Martin Smith	-	25,650,000	500,000	26,150,000
Michael Houlihan	-	125,000	300,000	425,000
John Plummer	11,698, 822	–	–	11,698,822
Lucienne Layton	–	–	–	–
Total	**11,751,145**	**49,462,500**	**1,190,000**	**62,403,645**

* Indirect shares include Director related entities.

** Represents the total amount of ESP Performance Rights granted under the DSO and SMSO Performance Year 2015 and 2016, less the Rights that have vested or lapsed.

DIVIDENDS

On 29 August 2016, the Company announced a fully franked final dividend of $0.01 per issued share for the financial year ended 30 June 2016. Payment of the dividend was completed on 1 November 2016.

On 20 February 2017, the Company announced a fully franked interim dividend of $0.005 per issued share for the half year ended 31 December 2016. Payment of the dividend was completed on 3 April 2017.

On 29 August 2017, the Board of Directors declared a fully franked final dividend for 2017 of $0.0075 per issued share (2016: $0.01), payable on 1 November 2017, taking the total dividends for FY17 to $0.0125. The Board of Directors also resolved to offer all Shareholders the right to participate in the Company's Dividend Reinvestment Plan (DRP) in respect to the 2017 final dividend. The DRP will operate at a 5% discount for the 2017 final dividend. A copy of the DRP is available on the Company website.

PRINCIPAL ACTIVITIES

The Group provides outsourced fund administration services to a range of wealth management sector participants. Its clients are all manufacturers or distributors of investment products. They include investment managers, superannuation trustees, listed companies, family offices and dealer groups. The Group has three key business lines:

- FundBPO, *Fundadministration, Inc* and Galileo Fund Services Limited provide fund services, including investment administration, fund accounting, unit registry (transfer agency) and middle office services, to a range of fund managers. The businesses have a diverse client base, currently made up of approximately 190 investment managers and operate in the following markets: Australia, Hong Kong, Singapore, USA, Malta and the Isle of Man;
- SuperBPO provides outsourcing services for Australian superannuation funds, including member administration and communications, unit pricing, fund accounting and client reporting. Its clients include industry funds, corporate funds and master trusts. The business is experienced in administering a range of superannuation products, including complex defined benefits schemes, accumulation, pension and income streams; and
- ShareBPO focuses on niche share registry services for Australian listed investment companies and exchange-traded funds. The business supports FundBPO's ASX market participant licence in its role as an administrator of mFunds through ASX's mFund settlement service.

No significant change in the nature of these activities has taken place during the year other than the expansion of the Group's existing fund services into North America and Europe.

REVIEW OF FINANCIAL RESULTS AND OPERATIONS

The profit for the Group after income tax increased by 38% to $1,424,794 (2016: $1,029,235). Total revenue increased 56% to $29,332,391 (2016: $18,853,574).

The Group is in a strong financial position with a solid balance sheet and at 30 June 2017 reported $6,422,063 of cash and cash equivalents (2016: $1,368,536) and Net Assets of $18,751,483 (2016: $10,845,634).

Refer to the Chief Executive Officer's Report for further information, including details on the Group's strategy and future outlook.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

As detailed on Page 12 of the Company's 2016 Annual Report, on 29 August 2016, after consideration of the favourable share price movements since the listing date on 1 October 2015, the Board modified the share price hurdle for Tranches 2 and 3 under the Performance Year ("PY") 2016 Director Share Offer Plan. The modification did not increase the fair value of the award.

On 19 September 2016, the Company issued $7 million of Senior Secured Convertible Notes ("Notes") to Mason Stevens Asset Management Pty Ltd to fund strategic acquisitions. For further details please refer to Note 15.

On 4 October 2016, the Company acquired 100% of the shares of New York based *Fundadministration, Inc.*

On 4 November 2016, MainstreamBPO signed a seven year registry software contract with financial services technology firm GBST for their GBST Composer, GBST ComposerWeb and Fund Gateway products.

On 24 November 2016, the Company signed an Asset Sale Agreement to purchase the European hedge fund administration business of fund and corporate services provider Alter Domus.

On 28 November 2016, the Company acquired 100% of the shares in the Isle of Man based administrator Galileo Fund Services Limited.

On 30 January 2017, the Company issued an additional $2 million of Notes to fund further acquisitions. The additional Notes issued were again arranged by Mason Stevens Asset Management Pty Ltd and have the same terms and conditions as the initial $7 million of Notes that were issued on 19 September 2016.

On 20 February 2017, the Company made its first payment of $0.7 million under a new $1.4 million software licence agreement with key technology provider SS&C Solutions Pty Limited, provider of the HiPortfolio fund administration and accounting solution. The $1.4 million contract increases the number of licences and modules available to FundBPO Australia as the Company increases the size of its fund administration team. It also removes a change of control provision that was present in the previous contract with HiPortfolio's former owner DST International Pty Ltd as disclosed in MainstreamBPO's initial public offer (IPO) Prospectus dated 21 August 2015.

On 1 May 2017, Byram Johnston became Executive Chairman and Martin Smith became Chief Executive Officer of the Company.

On 18 May 2017, the Company announced, subject to the receipt of regulatory approval, that it had acquired 100% of the shares in Trinity Fund Administration in Ireland and the Cayman Islands.

On 22 May 2017, MainstreamBPO Limited raised $3.3 million from the issue of 8,318,365 ordinary shares at $0.40 from institutional shareholders by way of a private institutional placement .

Other than the above, there were no other significant changes in the state of affairs of the Group during the financial year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 13 July 2017, the Company announced that it had entered into an agreement to acquire a part of IRESS's superannuation administration business, expanding the Company's presence in the growing superannuation administration sector. The accounting for the acquisition is not complete at the date of this report.

In connection with the proposed acquisition of Trinity Fund Administration announced on 18 May 2017, the Company has drawn down a $2 million tranche of Notes, arranged by Mason Stevens Asset Management Pty Ltd, which is being held in escrow pending regulatory approval of the transaction. With the drawdown of the additional tranche, the expiry term of all outstanding Notes as outlined in Note 15 has been amended to on or before 30 June 2019, with early repayment allowable in $1 million tranches at the Company's discretion. In addition the Notes are now only convertible (at the noteholders' option) on default, rather than at term. As of the date of this report, the company now has a total of $11million of Notes outstanding.

The accounting for the business acquisition of Trinity Fund Administration is not complete at the date of this report.

On 29 August 2017, the Board of Directors declared a fully franked final dividend for 2017 of $0.0075 per issued share (2016: $0.01), payable on 1 November 2017. The Board of Directors also resolved to offer all Shareholders the right to participate in the Company's DRP in respect to the 2017 final dividend. The DRP will operate at a 5% discount for the 2017 final dividend. A copy of the DRP is available on the Company website.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group will continue to pursue its financial objectives including increasing its profitability over time by increasing the performance of its existing business lines and also through its expansion strategy. Additional comments on expected results of operations of the Group are included in this report under the review of operations section above and also in the Chairman's and Chief Executive Officer's Reports.

ENVIRONMENTAL REGULATION

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

SHARES UNDER OPTION

No options over issued shares or interests in the company were granted during or since the end of the current and prior reporting periods and there were no options outstanding at the date of this report.

INDEMNITY AND INSURANCE OF OFFICERS

In accordance with its Constitution, and where permitted under relevant legislation or regulation, the Company indemnifies the Directors and officers against all liabilities to another person that may arise from their position as Directors or officers of the Company, except where the liability arises out of conduct involving lack of good faith, wilful misconduct, gross negligence, reckless misbehaviour or fraud.

In accordance with the provisions of the *Corporations Act 2001*, the Company has insured the Directors and officers against liabilities incurred in their role as Directors and officers of the Company. The terms of the insurance policy, including the premium are subject to confidentiality clauses and as such the Company is prohibited from disclosing the nature of the liabilities covered and the premium.

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the *Corporation Act 2001*.

NON-AUDIT SERVICES

During the year, Ernst & Young, the Group's auditor, has performed other services in addition to its statutory duties. Details of the amounts paid or payable to the auditor are set out in note 26 to the financial report.

The Directors are satisfied that the provision of those non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the Auditor did not compromise the Auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure that 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.

AUDITOR INDEMNIFICATION

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

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 18.

2017 REMUNERATION REPORT (AUDITED)

This Remuneration Report outlines the remuneration arrangements of the Group for the year ended 30 June 2017. It details the remuneration arrangements for Key Management Personnel ("KMP") of the Group who are defined as those persons having authority and responsibility for planning, directing and controlling activities of MainstreamBPO Limited.

The KMP for the Group for the year ended 30 June 2017 included the Executive Directors and the Non-Executive Directors (NEDs) as set out below:

Name	Position	Term as KMP
Executive Directors		
Byram Johnston	Executive Chairman*	Full Year
Martin Smith	CEO, MainstreamBPO Limited and Asia Pacific*	Full Year
Michael Houlihan	CEO, SuperBPO Pty Ltd	Full Year
Non-Executive Directors		
John Plummer	Non-Executive Director	Full Year
Lucienne Layton	Non-Executive Director	Full Year

*Martin Smith was appointed CEO, MainstreamBPO Limited on 1 May 2017. Prior to this, the position was held by Byram Johnston.

The remuneration report forms part of the Directors' Report and has been prepared and audited against the disclosure requirements of Section 300A of the *Corporations Act 2001*.

1. Remuneration Philosophy

The Group's remuneration philosophy is designed to attract, retain and motivate employees and ensure alignment of shareholder interests and business strategy. Broadly remuneration is structured in the Group with the following components:

- fixed remuneration including superannuation which is reviewed annually against market movements, performance and peer relativity;
- a variable short term incentive ("STI") which is discretionary and generally rewarded through share-based grants for individuals incumbent in key business roles and is based on achievement of performance conditions that are aligned to business outcomes; and
- an offer to participate in the Company's Employee Share Plan ("ESP") at nil consideration for eligible employees and Directors.

2. Directors' Remuneration

The Remuneration Committee reviews Directors' remuneration annually against market information and comparable companies and may utilise the services of external advisers. The Committee's recommendations are submitted for approval by the Board.

The annual aggregate of Directors' fees in relation to their duties as a Director is currently capped at $500,000. The Board will not seek an increase to the aggregate Directors' fee pool limit at the 2017 Annual General Meeting ("AGM").

The current annual aggregate of Directors' fees are $370,000. The Board resolved to increase the fees within the aggregate limit to $430,000 for the Executive Chairman, Chair of the Audit and Risk Committee, and base fee for Directors. The fee increases:

- recognise additional time commitment required by the Chair of the Audit and Risk Committee in a complex global company; and
- align the Executive Chairman and Director fees with market information together with scope and complexity of a global company.

The table below summarises the Executive Director and NED fees for 2017 and planned fees for 2018:

Director	Role	2017	2018
Byram Johnston	Executive Chairman	$150,000	$180,000
Martin Smith	Executive Director	$50,000	$60,000
Michael Houlihan	Executive Director	$50,000	$60,000
John Plummer	NED; Chair Remuneration and Nominations Committee	$60,000	$60,000
Lucienne Layton	NED; Chair Audit and Risk Committee	$60,000	$70,000
Total		**$370,000**	**$430,000**

3. Executive Director performance and remuneration outcomes

3.1 Director Share Offer ("DSO") overview

The Executive Directors of the Company are participants of the Company's DSO which provides Performance Rights that entitle the holder to be issued one share for each Performance Right at no cost should the agreed vesting conditions be met. The vesting conditions are designed to align remuneration with creation of shareholders' value over the longer term.

3.2 DSO outcome for Performance Year ("PY") 2016

The vesting conditions for DSO PY16 are based on the MainstreamBPO share price on the ASX, measured by reference to the volume weighted average price ("VWAP") of MainstreamBPO's shares on ASX for the 5 trading days immediately prior to the Vesting Measurement Date.

In accordance with the vesting conditions as outlined in the 2016 Annual Report, the VWAP of MainstreamBPO's shares on the ASX for the 5 trading days immediately prior to 1 October 2017 needs to meet the following share price hurdles:

- Equal to or greater than $0.75 and less than $0.85 for 50% vesting of Tranche 2 of PY16 DSO Performance Rights
- Equal to or greater than $0.85 for 100% vesting of Tranche 2 of PY16 DSO Performance Rights

As at the date of this report, it is not possible to anticipate if any of these Performance Rights will vest. For illustrative purposes the following Vesting Rights table assumes 100% vesting of the Performance Rights.

3.3 DSO for PY 2017

The vesting conditions for DSO PY17 are based on MainstreamBPO's Earnings Per Share ("EPS") against target.

In accordance with the vesting conditions as outlined in the 2016 Annual Report and the measure of MainstreamBPO's EPS against target as at 30 June 2017, 100% of Performance Rights in Tranche 1 under the PY 2017 DSO will vest on or around 1 October 2017.

3.4 DSO plan for PY 2018

The Board has approved an invitation for Executive Directors to participate in the DSO for PY 2018, as outlined in the table below. The vesting conditions for DSO PY18 will be based on MainstreamBPO's EPS against target as at 30 June 2018.

Performance Rights Vesting Schedule for DSO (PY16-PY18)

Director	Performance Year (PY)	Performance Rights Vesting Schedule for DSO at Vesting Measurement Date				
		1-Oct-17	1-Oct-18	1-Oct-19	1-Oct-20	Total
Byram Johnston	DSO PY 2016	80,000	80,000			160,000
	DSO PY 2017	80,000	80,000	80,000		240,000
	DSO PY 2018		80,000	80,000	80,000	240,000
Martin Smith	DSO PY 2016	33,333	33,334			66,667
	DSO PY 2017	33,333	33,333	33,334		100,000
	DSO PY 2018		33,333	33,333	33,334	100,000
Michael Houlihan	DSO PY 2016	33,333	33,334			66,667
	DSO PY 2017	33,333	33,333	33,334		100,000
	DSO PY 2018		33,333	33,333	33,334	100,000

3.5 Overview of Executive Directors' remuneration

Executive Directors receive a mix of fixed remuneration and variable remuneration consisting of STI opportunities that are appropriate to their position, responsibilities and performance. Executive Directors' remuneration levels are reviewed annually by the Remuneration Committee with reference to the remuneration philosophy.

3.6 Actual remuneration earned by senior management in FY17

The actual remuneration earned by senior management in FY17 is set out in section 4 of the report.

3.7 Senior Management Share Offer ("SMSO") Performance outcomes against performance conditions

The Executive Directors participate in the SMSO which provides Performance Rights that entitle the holder to be issued one (1) share for each Performance Right at no cost should the agreed performance conditions be met. A combination of financial and non-financial measures are used to measure performance under the SMSO. The agreed performance conditions for PY 2017 for Executive Directors focused on achievement of Company and subsidiary revenue and earnings for FY17, customer satisfaction and retention, implementation of acquisitions and client transitions, prudent compliance and risk management, and employee engagement.

As the Company operates its annual performance cycle from 1 October to 30 September, the performance outcome for each Executive Director has not been finalised as at 30 June 2017. However, in the interests of shareholder transparency, the expected performance outcomes for each of the Executive Directors have been outlined in the table below. The Board assessed all available information in order to determine an appropriate performance percentage (%) against agreed performance conditions. Actual payments will be stated in the remuneration report in 2018.

Senior Manager	Performance Rights to be issued for 2017 Performance Year (PY 2017) Tranche 1 1 October 2017	Tranche 2 1 October 2018	Tranche 3 1 October 2019	Total
Byram Johnston	45,000	45,000	45,000	135,000
Martin Smith	120,000	120,000	120,000	360,000
Michael Houlihan	20,000	20,000	20,000	60,000
TOTAL				**555,000**

4. Details of Remuneration paid

The total amount paid to KMP of the Company for the year ended 30 June 2017 is detailed below:

Actual remuneration paid during the year ended 30 June 2017

	Short term benefits		Post-Employment	Long-term benefits	Share-based payments	
	Salary & fees $	Other Benefits[1] $	Super-annuation $	Long Service Leave $	Incentive[2] $	Total Remuneration $
Non-Executive Directors						
John Plummer	52,511	–	4,989	–	–	57,500
Lucienne Layton	52,511	–	4,989	–	–	57,500
Executive Directors						
Byram Johnston	373,093	–	21,906	–	91,250	486,249
Martin Smith	399,543	–	37,957	–	111,933	549,433
Michael Houlihan	323,976	–	26,028	–	38,933	388,937
TOTAL KMP	**1,201,634**		**95,869**	**-**	**242,116**	**1,539,619**

Actual remuneration paid during the year ended 30 June 2016

	Short term benefits		Post-Employment	Long-term benefits	Share-based payments	
	Salary & fees $	Other Benefits[1] $	Super-annuation $	Long Service Leave $	Incentive[3] $	Total Remuneration $
Non-Executive Directors						
John Plummer	45,662	–	4,338	–	–	50,000
Lucienne Layton	44,491	–	4,227	–	–	48,718
Executive Directors						
Byram Johnston	331,709	–	18,291	–	–	350,000
Martin Smith	385,540	–	14,460	–	–	400,000
Michael Houlihan	322,527	–	27,473	–	–	350,000
TOTAL KMP	**1,129,929**		**68,789**	**-**	**-**	**1,198,718**

1 Other benefits may include non-cash items such as motor vehicle and mobile phone allowances.
2 No incentives have been paid as at 30 June 2017. Vested Performance Rights will be included in the Annual Report of 2018.
3 No incentives have been paid as at 30 June 2016.

5. Employment agreements

The terms and conditions of employment, including remuneration arrangements, are formalised in employment agreements. The following outlines the details of contracts with senior management:

Employment provisions

Name	Position	Resignation notice period	Termination for cause	Termination without cause	Restraint on soliciting employees and clients	Restraint on non-compete	Termination Payments
Byram Johnston	Executive Chairman	3 months	None	3 months	12 months	12 months	Nil
Martin Smith	CEO MainstreamBPO	3 months	None	3 months	12 months	12 months	Nil
Michael Houlihan	CEO SuperBPO	3 months	None	3 months	12 months	12 months	Nil

6. Service agreements

The terms and conditions of NED appointments, including remuneration arrangements, are formalised in service agreements. The following outlines the details of service agreements with NEDs:

Service agreements

Name	Position	Term of appointment[1]	Termination notice period
John Plummer	NED	3 years	4 weeks
Lucienne Layton	NED	3 years	4 weeks

7. Directors' Shareholdings

The number of direct and indirect shares held during the year to 30 June 2017 by each KMP is set out on page 11 of the Directors' Report.

Signed in accordance with a resolution of the Directors:

Byram Johnston OAM
Executive Chairman

Date: 29 August 2017
Sydney

1 Term of appointment is maximum term which could be reduced if the Director is not re-elected by shareholders of the group.

Building a better working world

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Auditor's Independence Declaration to the Directors of MainstreamBPO Limited

As lead auditor for the audit of MainstreamBPO Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of MainstreamBPO Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Rita Da Silva

Rita Da Silva
Partner
29 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	Consolidated 2017 $	Consolidated 2016 $
Revenue			
Fee income		27,619,571	17,763,236
Other operating income		1,640,291	938,906
Interest income		72,529	151,432
Total revenue		**29,332,391**	**18,853,574**
Expenses			
Employee benefits expense		16,594,515	10,866,317
Share-based payments expense	5	750,694	411,790
Accounting and audit fees		669,648	419,502
Amortisation and depreciation expense		998,443	462,565
Bank fees and charges		109,941	84,313
Insurance		260,218	229,327
Interest expense		695,979	91,871
IT support and expenses		4,338,076	2,764,292
Legal fees		304,549	102,332
Occupancy		2,063,631	1,580,345
General and other expenses		735,021	474,756
Total expenses		**27,520,715**	**17,487,410**
Profit before income tax expense		**1,811,676**	**1,366,164**
Income tax expense	6(a)	386,882	336,929
Profit after income tax		**1,424,794**	**1,029,235**
Other comprehensive income			
Translation of foreign subsidiaries		(41,249)	8,155
Other comprehensive income, net of tax		(41,249)	8,155
Total comprehensive income for the year attributable to shareholders of MainstreamBPO Limited		**1,383,545**	**1,037,390**
Earnings per share (EPS) attributable to ordinary shareholders of MainstreamBPO Limited			
Basic earnings per share	4	$0.01590	$0.01299
Diluted earnings per share	4	$0.01570	$0.01280

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

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	30 June 2017 $	30 June 2016 $
ASSETS			
Current Assets			
Cash and cash equivalents	7	6,422,063	1,368,536
Trade and other receivables	8	4,899,442	2,618,612
Other current assets	9	1,354,128	1,039,587
Total Current Assets		**12,675,633**	**5,026,735**
Non-Current Assets			
Property, plant and equipment	10	2,317,337	1,017,895
Intangible assets	11	18,122,482	7,729,582
Net deferred tax assets	6(b)	-	239,118
Total Non-Current Assets		**20,439,819**	**8,986,595**
Total Assets		**33,115,452**	**14,013,330**
LIABILITIES			
Current Liabilities			
Trade creditors and accrued expenses	12	2,385,787	1,820,058
Provision for employee benefits	13	736,174	525,530
Provision for income tax		523,340	302,618
Deferred consideration	16	387,990	–
Other current liabilities	14	912,292	519,490
Total Current Liabilities		**4,945,583**	**3,167,696**
Non-Current Liabilities			
Interest bearing liabilities	15	8,747,793	–
Provision for employee benefits	13	138,915	–
Net deferred tax liabilities	6(b)	531,678	–
Total Non-Current Liabilities		**9,418,386**	**-**
Total Liabilities		**14,363,969**	**3,167,696**
Net Assets		**18,751,483**	**10,845,634**
EQUITY			
Contributed equity	18	16,260,043	8,902,554
Reserves	19	827,117	359,788
Retained earnings		1,664,323	1,583,292
Total Equity		**18,751,483**	**10,845,634**

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

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

Consolidated	Contributed Equity $	Reserves $	Retained Earnings $	Total Equity $
Balance at 1 July 2015	**1,745,760**	**345,454**	**554,057**	**2,645,271**
Profit after income tax expense	–	–	1,029,235	1,029,235
Other comprehensive income, net of tax	–	8,155	–	8,155
Total comprehensive income, net of tax	**-**	**8,155**	**1,029,235**	**1,037,390**
Transactions with owners in their capacity as owners:				
Shares issued under IPO	8,901,455	–	–	8,901,455
Transaction costs, net of tax	(976,661)	–	–	(976,661)
Share buy-backs	(1,254,400)	–	–	(1,254,400)
Shares issued	486,400	–	–	486,400
Share-based payments	–	6,179	–	6,179
Balance at 30 June 2016	**8,902,554**	**359,788**	**1,583,292**	**10,845,634**
Balance at 1 July 2016	**8,902,554**	**359,788**	**1,583,292**	**10,845,634**
Profit after income tax expense	–	–	1,424,794	1,424,794
Other comprehensive income, net of tax	–	(41,249)	–	(41,249)
Total comprehensive income, net of tax	**-**	**(41,249)**	**1,424,794**	**1,383,545**
Transactions with owners in their capacity as owners:				
Dividends paid	–	–	(1,343,763)	(1,343,763)
Dividends reinvested	768,254	–	–	768,254
Shares issued for acquisitions	6,347,119	–	–	6,347,119
Shares issued under Employee Share Plan	242,116	(242,116)	–	–
Share-based payments	–	750,694	–	750,694
Balance at 30 June 2017	**16,260,043**	**827,117**	**1,664,323**	**18,751,483**

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 $	2016 $
Cash flows from operating activities			
Income received		26,979,032	17,735,524
Operating expenses paid		(24,108,632)	(16,280,601)
Interest received		72,529	151,340
Interest paid		(455,096)	(91,871)
Income tax paid		(308,305)	(223,508)
Net cash inflow from operating activities	**7(b)**	**2,179,528**	**1,290,884**
Cash flows from investing activities			
Purchase of capitalised software & equipment		(1,982,681)	(602,275)
Payments for acquisitions, net of cash received	11	(6,186,836)	-
Purchase of intangible assets		(289,748)	(2,701,411)
Net cash outflow from investing activities		**(8,459,265)**	**(3,303,686)**
Cash flows from financing activities			
Shares issued under IPO		-	8,901,455
Transaction costs		(166,367)	(1,266,371)
Employee Gift Offer		-	(207,000)
IPO share buy-backs		-	(1,254,400)
Shares issued		3,327,346	137,787
Dividends paid		(575,508)	-
Proceeds from/(repayment of) Interest bearing liabilities		8,747,793	(1,250,000)
Repayment of shareholder loans		-	(1,422,533)
Payment for ASX settlement bond		-	(500,000)
Net cash inflow from financing activities		**11,333,264**	**3,138,938**
Net increase/(decrease) in cash and cash equivalents during the year		5,053,527	1,126,136
Cash and cash equivalents at the beginning of the year		1,368,536	242,400
Cash and cash equivalents at the end of the year	**7(a)**	**6,422,063**	**1,368,536**

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

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of MainstreamBPO Limited and its subsidiaries (collectively, "the Group") for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 29 August 2017.

MainstreamBPO Limited ("MainstreamBPO", "the Company" or "the Parent") is a for-profit company limited by shares incorporated and domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX). The Group's principal place of business is Level 1, 51-57 Pitt Street, Sydney NSW 2000.

Further information on the nature of the operations and principal activities of the Group is provided in the Directors' Report.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards including other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial report has been prepared on a historical cost basis unless stated otherwise and is presented in Australian dollars.

The principal accounting policies adopted in the preparation of the financial statements are set out below. The accounting policies adopted are consistent with those of the previous financial reporting period, except where otherwise stated.

(b) New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. None of the standards and amendments which became mandatory for the first time in the current reporting period resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)

AASB 116 *Property Plant* and *Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. This standard was effective to the Group 1 July 2016. The adoption of this amendment does not have any material impact on the financial performance or position of the Group.

No new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) Accounting Standards and Interpretations issued but not yet effective

The Australian and International Accounting Standards issued but not yet mandatory for the 30 June 2017 reporting period have not been adopted by the Group in the preparation of this financial report. An assessment of the impact of the new standards and interpretations which may have a material impact on the Group is set out below:

Standard	Title	Summary	Group application date
AASB 15	Revenue from Contracts with Customers	AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board ("IASB") and developed jointly with the US Financial Accounting Standards Board (FASB). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has performed a preliminary assessment and does not anticipate the application of this standard to be material.	1 July 2018
AASB 9	Financial Instruments and applicable amendments	AASB 9 Financial Instruments addresses the classification and measurement of financial assets and liabilities, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. The current four categories of financial assets, stipulated in AASB 139 Financial Instruments: Recognition and Measurement, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains/(losses) on debt investments, for example, will therefore have to be recognised directly in profit or loss. The Group does not expect any significant impact on the financial statements arising from the adoption of the standard.	1 July 2018
AASB 16	Leases	AASB 16 provides a single model for accounting for leases by lessees. Leases other than low value and short-term leases must be recognised on the balance sheet of lessees. The lessee will recognise an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments. Expenses in respect of leases will include amortisation of the right-of-use asset and interest expense in respect of the lease liability. Lessors will continue to account for leases as either operating or finance leases, consistent with current practice. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is derecognised and a lease receivable is recognised. Early application is permitted, provided the new revenue standard, AASB 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as AASB 16. The Group is still in the process of assessing the impact.	1 July 2019

(d) Parent entity information

In accordance with the *Corporations Act 2001*, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

(e) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MainstreamBPO as at 30 June 2017 and the results of all subsidiaries for the year then ended. MainstreamBPO and its subsidiaries together are referred to in these financial statements as the 'Group'.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 30 June 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the shareholders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(f) Foreign currency translation

The financial report is presented in Australian dollars, which is MainstreamBPO's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

On consolidation, the assets and liabilities of foreign entities whose functional currency differs from the presentation currency are translated into Australian dollars at the rate of exchange at the balance sheet date. Differences arising on the translation are recognised to foreign currency translation reserve.

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency translation reserve in equity.

The foreign currency translation reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(g) Revenue recognition

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

Fee income

Fee income arises from providing fund administration services, which are typically based on funds under management, the number of transactions processed and number of investors or members. Fee income is recognised when it is received or when the right to receive payment is established.

Interest

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

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(h) Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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

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

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

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

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

MainstreamBPO Limited and its wholly-owned Australian controlled entities have formed an income tax consolidated group under the tax consolidation regime. The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

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

Assets or liabilities arising under tax funding arrangements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

The unused tax losses and unused tax credits arising from the overseas companies have not been recognised as a current tax asset.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

(k) Property, plant and equipment

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

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

Office Equipment – 2 to 5 years
Computer Equipment – 2 to 5 years
Software – 2 to 10 years

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

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

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-10 years.

(l) Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. Loans and receivables are the main category of financial assets. Such assets are initially measured at fair value and subsequently measured at amortised cost using the effective interest rate method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(m) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for financial assets carried at cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for similar financial assets.

(n) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

(o) Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The Group has made payments to purchase Customer Contracts, these assets acquired are typically long-term Customer Contracts that the Group has assessed as having an indefinite useful life. The assessment of the indefinite life is conducted in accordance with the criteria set forth in AASB 138 Intangible Assets. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

(p) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in operating expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of AASB 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(p) Business combinations and goodwill continued

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Customer Contracts and Relationships

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. Customer contracts and relationships with an indefinite useful life are carried at their fair value at the date of acquisition less any accumulated impairment loss. Customer contracts and relationships with a finite useful life (2 to 15 years) are measured at cost less amortisation and any impairment.

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

(q) Trade creditors and accrued expenses

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

(r) Financial Liabilities

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Refer to note 15 for further details on the Senior Secured Convertible Notes.

(s) Provisions

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

(t) Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave are recognised in current liabilities in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Defined contribution superannuation expense

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

(u) Issued capital

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

(v) Dividends

Dividends are recognised when declared during the financial year.

(w) Earnings per share

Basic earnings per share is calculated as net profit/(loss) after income tax expense for the year divided by the weighted average number of ordinary shares on issue. Diluted earnings per share is calculated by adjusting the basic earnings per share to take into account the effect of any costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Refer to Note 4 for further details.

(x) Share-based payments

Share based compensation benefits (equity-settled) may be provided to employees. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period in which employees become unconditionally entitled to the shares.

The fair value of the shares at grant date is determined using an acceptable model that takes into account the share price at grant date, the expected dividend yield, the risk-free interest rate for the term and any restrictions on the shares. The fair value of the shares granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each reporting date, the Company revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction.

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

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

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

(z) Critical accounting judgements, estimates and assumptions

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

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Assessment of impairment of receivables

The impairment of receivables assessment requires a degree of estimation and judgement and takes into account the recent experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations, loss of customers or some other event. The amortisation period for intangible assets with a finite life are reviewed at least annually and typically range from 5 to 15 years.

Non-market vesting conditions

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest for Senior Management and Director share-based payment awards. At each reporting date, the Group revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

(aa) Changes in accounting policy

Following the November 2016 publication of the IFRS Interpretations Committee's agenda decision addressing the expected manner of recovery of intangible assets with indefinite useful lives for the purposes of measuring deferred tax, the Group has retrospectively changed its accounting policy. The Interpretations Committee noted that in applying IAS 12 Income Taxes, an entity determines its expected manner of recovery of the carrying amount of the intangible assets with an indefinite useful life, and reflects the tax consequences that follow from that expected manner of recovery. Previously, the Group measured deferred taxes on temporary differences arising from intangible assets based upon the tax that would solely result from sales of the asset. Consequently, the Group has adopted an accounting policy to measure deferred taxes on temporary differences arising from indefinite life intangible assets based upon the tax consequences that follow from recovery through use of the assets. As a result of retrospective adoption of this accounting policy, certain amounts previously reported in the consolidated financial statements as at 30 June 2016 were amended. The impact of the change at 30 June 2016 were increases in Goodwill of $258,214 and deferred income tax liability of $258,214.

NOTE 3. SEGMENT REPORTING

Due to the nature of the Group's operations and current size of the Group, for management reporting purposes, the chief operating decision makers (being the Board of Directors) currently consider and report on the business units' operating results and financial position as one reportable operating segment – fund administration. Refer to the statement of profit or loss and other comprehensive income for the Group's results.

MainstreamBPO has operations in Asia-Pacific (APAC), covering Australia, Singapore and Hong Kong, as well as North America and Europe. The Group had operations in North America for nine months and Europe for seven months during the year ended 30 June 2017. The table below shows a break-up of revenue and non-current operating assets by geography for the year ended 30 June 2017.

	2017 $	2016 $
Revenue		
APAC	25,249,901	18,853,574
North America	2,920,360	–
Europe	1,162,130	–
	29,332,391	**18,853,574**
Non-current operating assets		
APAC	20,393,930	8,747,477
North America	8,827	–
Europe	37,062	–
	20,439,819	**8,747,477**

For the twelve months ended 30 June 2017, the Company had one client with revenue greater than 10% of Consolidated Revenue (2016: 2). The Company anticipates that in connection with its global expansion its customer concentration risk will continue to decrease over time.

NOTE 4. EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2017 $	2016 $
Profit attributable to ordinary shareholders of the parent:	**1,424,794**	**1,029,235**
Weighted average number of ordinary shares for basic EPS	89,597,084	79,208,447
Effects of dilution from:		
– Director Share Offer	219,999	440,000
– Senior Management Share Offer	925,000	750,000
Weighted average number of ordinary shares adjusted for the effect of dilution	**90,742,083**	**80,398,447**

As at 30 June 2017, there were 98,803,874 ordinary shares outstanding (2016: 84,333,638).

The calculation of weighted average number of ordinary shares outstanding takes into account the issuance of:

- 331,666 fully paid ordinary shares under the Company's Director Share Offer and Senior Management Share Offer on 30 September 2016;
- the issuance of 4,569,100 fully paid ordinary shares in connection with the acquisition of Fundadministration on 4 October 2016;
- the issuance of 1,049,325 fully paid ordinary shares in connection with the Company's Dividend Reinvestment Plan (DRP) on 1 November 2016, the issuance of 201,780 fully paid ordinary shares in connection with the Company's DRP on 3 April 2017; and
- the issuance of 8,318,365 fully paid ordinary shares on 22 May 2017 to institutional shareholders by way of a private institutional placement.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

NOTE 5. SHARE BASED PAYMENTS

The Company has in place an ESP. The ESP is a plan under which Directors, senior management and eligible employees may be allocated Awards as a means of retaining their service and aligning their interests with shareholders. Awards can be issued in the form of Performance Rights, Options or Restricted Shares. The total expense recognised for share-based payments during the years ended 30 June 2017 and 30 June 2016 are:

	Consolidated	
	2017 $	2016 $
Share-based payments		
Employee Share Offer	104,974	134,550
Management Share Offer	266,247	158,890
Senior Management Share Offer	254,813	97,166
Director Share Offer*	124,660	21,184
Total share-based payments expense	**750,694**	**411,790**

* The Director Share Offer (DSO) relates to performance awards granted to Executive Directors only.

As detailed on Page 12 of the Company's 2016 Annual Report, after consideration of the favourable share price movements since the listing date on 1 October 2015, the Board modified the share price hurdle for Tranches 2 and 3 under the PY2016 DSO Plan. The modification did not increase the fair value of the award.

There were no cancellations to the awards in the year ended 30 June 2017.

NOTE 6. INCOME TAX

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss for the years ended 30 June 2017 and 2016 are:

	Consolidated	
	2017 $	2016 $
a) Current income tax		
Current income tax	539,343	421,910
Current tax adjustment for prior periods	(8,367)	(58,783)
Deferred tax benefit	(144,094)	(26,198)
Income tax expense	**386,882**	**336,929**
Deferred tax included in income tax expense comprises:		
Movement in deferred tax assets	(62,322)	20,226
Movement in deferred tax liabilities	(81,772)	(46,424)
Deferred tax expense/(benefit)	**(144,094)**	**(26,198)**
Reconciliation of income tax expense and accounting profit:		
Profit before income tax expense	**1,811,676**	**1,366,164**
Tax at the statutory rate of 30%	**543,503**	**409,849**
Add:		
Sundry non-deductible items	–	7,500
Share based payments	225,208	92,337
Tax rate differential in other jurisdictions	(329,657)	(208,561)
Adjustments to prior periods	(8,367)	(58,783)
Transfer of DTA on IPO costs to equity	–	48,975
Other	(43,805)	45,612
Income tax expense/(benefit)	**386,882**	**336,929**
b) Analysis of deferred tax		
Deferred tax asset relates to:		
Provisions	221,741	142,212
Accruals	63,655	100,685
Tax loss carried forward	111,179	–
Equity raising costs	271,805	313,251
	668,380	**556,148**
Deferred tax liability relates to:		
Property, plant and equipment	19,746	58,816
Intangible assets	1,180,312	258,214
	1,200,058	**317,030**
Net deferred tax asset/(liability)	**(531,678)**	**239,118**
c) Income tax benefit charged directly to equity		
Transaction costs associated with share issue	**116,457**	**418,569**

NOTE 7. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	Consolidated 2017 $	Consolidated 2016 $
Cash at bank	6,422,063	1,368,536
	6,422,063	**1,368,536**

(b) Reconciliation of Cash Flow from Operating Activities

	Consolidated 2017 $	Consolidated 2016 $
Profit after tax	1,424,794	1,029,235
Adjustments for:		
Amortisation and depreciation expense	998,443	462,565
Share-based payments	750,694	411,790
Changes in operating assets and liabilities		
Increase in receivables	(2,280,830)	(966,618)
Increase in trade creditors and accrued expenses	565,729	255,399
Decrease in other assets	182,791	223,550
Increase/(Decrease) in other liabilities	537,907	(125,037)
Cash inflows from operating activities	**2,179,528**	**1,290,884**

NOTE 8. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2017 $	Consolidated 2016 $
Trade debtors	4,899,442	2,618,612
	4,899,442	**2,618,612**

The Company has impaired $26,380 of trade debtors for the year ended 30 June 2017 (2016: Nil).

As at 30 June 2017, the ageing analysis of trade debtors is as follows:

	Neither past due nor impaired	30-60 days	61-90 days	90 + days	Total
2017	4,482,154	95,798	95,594	225,896	**4,899,442**
2016	2,411,470	115,725	55,463	35,954	**2,618,612**

NOTE 9. CURRENT ASSETS – OTHER

	Consolidated	
	2017 $	2016 $
Deposit bonds	1,016,343	962,895
Prepayments	334,321	75,644
Other	3,464	1,048
	1,354,128	**1,039,587**

NOTE 10. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2017 $	2016 $
Office Equipment – at cost	371,342	301,280
Less: Accumulated depreciation	(312,483)	(297,232)
	58,859	4,048
Computer Equipment – at cost	612,808	483,238
Less: Accumulated depreciation	(438,233)	(346,535)
	174,575	136,703
Capitalised software – at cost	3,697,222	1,920,719
Less: Accumulated amortisation	(1,613,319)	(1,043,575)
	2,083,903	877,144
Total property, plant and equipment	**2,317,337**	**1,017,895**

The gross carrying amount of fully depreciated property and equipment that is still in use as at 30 June 2017 was $1,218,582 (2016 $720,505).

Reconciliations

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

Consolidated	Office Equipment $	Computer Equipment $	Capitalised Software $	Total $
Balance at 1 July 2015	9,372	74,937	656,376	740,685
Additions	87	124,180	478,008	602,275
Depreciation expense	(5,411)	(62,414)	(257,240)	(325,065)
Balance at 30 June 2016	**4,048**	**136,703**	**877,144**	**1,017,895**
Foreign exchange	(141)	(1,044)	(5,361)	(6,546)
Additions	70,203	130,614	1,781,864	1,982,681
Depreciation expense	(15,251)	(91,698)	(569,744)	(676,693)
Balance at 30 June 2017	**58,859**	**174,575**	**2,083,903**	**2,317,337**

NOTE 11. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated 2017 $	2016 $
Business combinations – goodwill	10,056,188	2,847,286
Other intangible assets	8,066,294	4,882,296
	18,122,482	**7,729,582**

A reconciliation of the opening and closing balances are set out as below:

	Goodwill	Other Intangible Assets	Total
Opening balance at 30 June 2016	2,847,286	4,882,296	**7,729,582**
Acquisition of *Fundadministration, Inc*	6,239,871	2,373,000	**8,612,871**
Acquisition of Galileo Fund Services Limited	969,031	843,000	**1,812,031**
Alter Domus Malta	–	275,748	**275,748**
HFO Limited	–	14,000	**14,000**
Amortisation expense	–	(321,750)	**(321,750)**
Closing balance at 30 June 2017	**10,056,188**	**8,066,294**	**18,122,482**

Business combinations – goodwill

The Business Combinations Goodwill is derived from the acquisition of 100% of the shares of SuperBPO Pty Ltd (formerly Group Benefits Pty Ltd), *Fundadministration, Inc* and Galileo Fund Services Limited.

During the year, the Company acquired 100% of the shares of *Fundadministration, Inc* based in New York and the Isle of Man based administrator Galileo Fund Services Limited.

The fair values of identifiable assets and liabilities as at the date of each acquisition are summarised below:

	Fundadministration, Inc $ AUD	Galileo $ AUD	Total $ AUD
Cash and cash equivalents	424,509	449,370	**873,879**
Trade and other receivables	384,952	296,342	**681,294**
Other current assets	21,858	79,119	**100,977**
Intangible assets arising on acquisition (Customer Contracts)	2,373,000	843,000	**3,216,000**
Total Assets	**3,204,319**	**1,667,831**	**4,872,150**
Trade and other payables	809,462	115,610	**925,072**
Deferred tax liabilities	711,900	252,900	**964,800**
Total Liabilities	**1,521,362**	**368,510**	**1,889,872**
Net assets acquired at fair value	**1,682,957**	**1,299,321**	**2,982,278**
Goodwill arising on acquisitions	6,239,871	969,031	**7,208,902**
Purchase consideration transferred	**7,922,828**	**2,268,352**	**10,191,180**
Cash paid	(4,786,598)	(1,497,717)	**(6,284,315)**
Deferred consideration paid	(393,754)	(382,646)	**(776,400)**
Cash acquired within the subsidiary	424,509	449,370	**873,879**
Net Cash Paid	**(4,755,843)**	**(1,430,993)**	**(6,186,836)**

NOTE 11. NON-CURRENT ASSETS – INTANGIBLES CONTINUED

At the date of each acquisition the total fair value of trade and other receivables was $681,294. At 30 June 2017, none of the trade and other receivables related to acquisitions had been impaired.

From the date of acquisition, *Fundadministration, Inc* has contributed $2,920,360 of revenue and $430,101 of profit before tax to the Group. If the acquisition had taken place at the beginning of the period, then *Fundadministration, Inc* would have contributed $3,893,813 of revenue and $573,468 of profit before tax to the Group for the twelve months ended 30 June 2017.

From the date of acquisition, Galileo Fund Services Limited (Galileo) has contributed $934,634 of revenue and $237,441 of profit before tax to the Group. If the acquisition had taken place at the beginning of the period, then Galileo would have contributed $1,602,230 of revenue and $407,042 of profit before tax to the Group for the twelve months ended 30 June 2017.

With respect to the Galileo acquisition, on 13 January 2017, $0.4 million (£236,677) of the Deferred Consideration was paid and the remaining $0.4 million (£221,000) is to be paid in November 2017 subject to certain financial Key Performance Indicators being achieved.

The goodwill of $7,208,902 comprises the value of expected synergies arising from the acquisitions. The Group does not anticipate the goodwill to be deductible for income tax purposes.

Other Intangible Assets

The other intangible assets include the purchase of customer relationships and contracts from Perpetual Limited, HFO Limited, Alter Domus *Fundadministration, Inc,* Galileo and a transaction with an Australian based fund administrator. FundBPO (HK) Ltd was established in July 2014 following the acquisition of customer relationships and contracts from HFO Limited.

In relation to Alter Domus, the Company signed an Asset Sale Agreement on 24 November 2016 to purchase its European hedge fund administration business.

The Group performs its annual impairment test for intangible assets with indefinite useful lives and for Goodwill as at 30 June of each respective financial year. The recoverable amount of intangible assets has been determined by a value-in-use method using a discounted cash flow model, based on revenue projection over a 5 year period, together with a terminal value. The Group considered the long term revenue and market share growth rate against an internally developed range of benchmarks and assumptions of growth rate and terminal rate which are consistent with current business performance and longer term strategy. The growth rate of 5% and terminal growth rate of 3% were applied to the model. The discount rate of 12.5% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital. Stress testing of the Model was conducted and no impairment would be required under various scenarios at 30 June 2017 or 2016. The Group did not identify any indicators of impairment during the year ended 30 June 2017.

Legal fees incurred in the completion of acquisitions are expensed through the Statement of Profit or Loss in the period in which they are incurred.

NOTE 12. CURRENT LIABILITIES – TRADE CREDITORS AND ACCRUED EXPENSES

	Consolidated	
	2017 $	2016 $
Trade creditors	1,251,416	1,262,144
Accrued expenses	1,134,371	557,914
	2,385,787	**1,820,058**

NOTE 13. PROVISIONS FOR EMPLOYEE BENEFITS

	Consolidated	
	2017 $	2016 $
Annual leave liability – current	655,219	450,936
Long service leave liability		
– current	80,955	74,594
– non-current	138,915	–

NOTE 14. CURRENT LIABILITIES – OTHER

	Consolidated	
	2017 $	2016 $
GST liability	395,752	289,961
PAYG withholding payable	39,028	37,978
Superannuation payable	209,484	190,917
Due to previous senior shareholder of Fundadministration, Inc.	258,627	–
Other	9,401	634
	912,292	**519,490**

At 30 June 2017, there is $0.3 million (USD $198,380) recorded as other current liabilities relating to a liability due to the previous senior shareholder of *Fundadministration, Inc* for their historical retained earnings as agreed to between the respective parties in the Sale Agreement.

NOTE 15. NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	Consolidated	
	2017 $	2016 $
Interest bearing liabilities	8,747,793	–
	8,747,793	**–**

On 19 September 2016, MAI Finance SPV Pty Ltd, a wholly owned subsidiary of the Company, issued $7 million of Senior Secured Convertible Notes to fund acquisitions. The Notes were arranged by Mason Stevens Asset Management Pty Ltd and have a fixed interest rate of 10.5% per annum for a three year term. Interest is payable quarterly in arrears and the first interest payment was made on 16 January 2017. On 30 January 2017, the Company issued an additional $2 million to fund further acquisitions under the same terms and conditions.

The Notes are secured by a fixed and floating charge over the assets of the Company's Australian domiciled subsidiaries. At the end of the three year term, the Company has the election to either repay the Notes or to have the Notes convert into fully paid ordinary shares issued by the Company. In the event that the Company were to elect to have the Notes convert into fully paid ordinary shares issued by the Company at the expiration of the term, then the Conversion Price would be calculated on a 10% discount to the Volume Weighted Average Price (VWAP) of the Company's shares during the 90 days immediately prior to the expiration of the term, that being 30 September 2019. The Notes are only convertible at the election of the holder in an event of default in the second or third year of the term. In this regard, repayment of the Notes is guaranteed by a related party.

As at 30 June 2017, the carrying amount of interest bearing liabilities approximates their fair value. Refer to note 29 for details of additional notes issued subsequent to reporting date.

NOTE 16. CURRENT LIABILITIES – DEFERRED CONSIDERATION

	Consolidated	
	2017 $	2016 $
Deferred Consideration – current	387,990	-
	387,990	**-**

With respect to the Galileo Fund Services Limited acquisition, at 30 June 2017, $0.4 million (£221,000) of the purchase price is to be paid in November 2017 subject to certain financial Key Performance Indicators being achieved.

NOTE 17. OPERATING LEASES

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases for office premises were as follows:

	Consolidated 2017 $	Consolidated 2016 $
Not later than one year	710,568	946,338
Later than one year and not later than five years	512,541	294,629
Greater than five years	–	–
	1,223,109	**1,240,967**

The Group opened offices in New York (USA), Sliema (Malta) and Douglas (Isle of Man) during the year ended 30 June 2017.

NOTE 18. EQUITY – CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	2017 Shares	2016 Shares	2017 $	2016 $
Ordinary shares – fully paid	**98,803,874**	**84,333,638**	**16,260,043**	**8,902,554**

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. The movement of ordinary shares is shown in the table below:

	Shares
Ordinary shares outstanding at beginning of the year	84,333,638
Shares issued under Employee Share Plan	331,666
Shares issued in consideration for acquisitions	4,569,100
Shares issued under Dividend Reinvestment Plan	1,251,105
Shares issued under private institutional placement	8,318,365
Ordinary shares outstanding at end of the year	**98,803,874**

On 30 September 2016, at the Company's Annual General Meeting, shareholders approved the issuance of a total of 331,666 fully paid ordinary shares under the Company's Director Share Offer and Senior Management Share Offer.

On 4 October 2016, the Company issued 4,569,100 fully paid ordinary shares in connection with the acquisition of *Fundadministration, Inc*. The shares were issued at a Volume Weighted Average Price (VWAP) of $0.69.

On 29 August 2016, the Company announced a fully franked final dividend of $0.01 per issued share for the financial year ended 30 June 2016. Payment of the dividend was completed on 1 November 2016. Approximately 75% of total shares outstanding elected to participate in the Company's Dividend Reinvestment Plan (DRP). The DRP price was calculated based on a 5% discount to the 10 day VWAP of MAI stock during the period 10 October 2016 to 21 October 2016. The DRP resulted in the issuance of an additional 1,049,325 fully paid ordinary shares on 1 November 2016 and the second DRP on 3 April 2017 resulted in issuance of 201,780 fully paid ordinary shares in MainstreamBPO Limited.

On 25 May 2017, the Company issued an additional 8,318,365 fully paid ordinary shares in a private placement.

NOTE 19. EQUITY – RESERVES

	Consolidated	
	2017 $	2016 $
Revaluation reserve	416,703	416,703
Foreign currency translation reserve	(104,343)	(63,094)
Share-based payment reserve	514,757	6,179
	827,117	**359,788**

Revaluation reserve

The reserve was used to recognise increments and decrements in the fair value of software. There were no movements in this reserve during the year ended 30 June 2017 or 30 June 2016.

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Share-based payment reserve

The share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.

NOTE 20. EQUITY – DIVIDENDS

On 29 August 2016, the Company announced a fully franked final dividend of $0.01 per issued share for the financial year ended 30 June 2016. Payment of the dividend was completed on 1 November 2016. The DRP price was calculated based on a 5% discount to the 10 day VWAP of MAI stock during the period 10 October 2016 to 21 October 2016. The DRP resulted in the issuance of an additional 1,049,325 fully paid ordinary shares in MainstreamBPO Limited.

On 20 February 2017, the Company announced a fully franked interim dividend of $0.005 per issued share for the half year ended 31 December 2016, payable on 3 April 2017. The DRP price was calculated based on a 5% discount to the 10 day VWAP of MAI stock during the period 13 March 2017 to 24 March 2017. The DRP resulted in the issuance of an additional 201,780 fully paid ordinary shares in MainstreamBPO Limited.

As at 30 June 2017, the Company had $135,190 (30 June 2016: $512,661) of franking credits. As at the date of this report, the Company had $335,436 of franking credits.

NOTE 21. CAPITAL MANAGEMENT

For the purpose of the Company's capital management, capital includes contributed equity, interest bearing liabilities and all other equity reserves attributable to the shareholders of the parent. The primary objective of the Company's capital management is to maximise shareholder value. The Company manages its capital structure and makes adjustments in light of changes in market and economic conditions.

NOTE 22. FINANCIAL RISK MANAGEMENT

The Group's financial assets include cash and cash equivalents, trade and other receivables and deposit bonds. The Group's financial liabilities comprise trade creditors and accrued expenses and interest bearing liabilities. The main purpose of these financial liabilities is to finance the Group's operations.

The Group is exposed to interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's Board of Directors monitor these risks on an on-going basis.

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Company's interest bearing liabilities. The Group's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2017	Note	Weighted average interest rate %	Floating interest rate $	Fixed Interest Rate $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	7	2.50	6,422,063	–	–	6,422,063
Trade and other receivables	8	-	–	–	4,899,442	4,899,442
Deposit bonds	9	-	–	–	1,016,343	1,016,343
			6,422,063	**–**	**5,915,785**	**12,337,848**
Financial liabilities						
Trade creditors and accrued expenses	12	-	–	–	2,385,787	2,385,787
Deferred consideration	16	-	–	–	387,990	387,990
Interest-bearing liabilities	15	10.5	–	8,747,793	–	8,747,793
			–	**8,747,793**	**2,773,777**	**11,521,570**

2016	Note	Weighted average interest rate %	Floating interest rate $	Non-interest bearing $	Total $
Financial assets					
Cash and cash equivalents	7	2.50	1,368,536	–	1,368,536
Trade and other receivables	8	-	–	2,618,612	2,618,612
Deposit bonds	9	-	–	962,895	962,895
		-	**1,368,536**	**3,581,507**	**4,950,043**
Financial liabilities					
Trade creditors and accrued expenses	12	-	–	1,820,058	1,820,058
	-	-	**–**	**1,820,058**	**1,820,058**

The Group's profit before tax is affected through the sensitivity to a reasonably possible change in interest rates on that portion of interest bearing liabilities affected.

Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group is exposed to credit risk from its operating activities, primarily trade receivables and deposits with banks. Deposits with banks are all with reputable large banks. The maximum exposure to credit risk at the reporting date is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group regularly monitors its outstanding customer receivables.

Liquidity risk

Liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable. The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

The following table sets forth the contractual maturities of the respective financial liabilities for the year ended 30 June 2017:

2017	Note	On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Greater than 5 years $	Total $
Trade creditors and accrued expenses	12	–	2,385,787	–	–	–	2,385,787
Deferred consideration	16	–	–	387,990	–	–	387,990
Interest bearing liabilities	15	–	235,603	706,808	10,125,163	–	11,067,574
		-	**2,621,390**	**1,094,798**	**10,125,163**	**-**	**13,841,351**

2016		On demand $	Less than 3 months $	3 to 12 months $	1 to 5 years $	Greater than 5 years $	Total $
Trade creditors and accrued expenses	12	–	1,820,058	–	–	–	1,820,058
		–	**1,820,058**	–	–	–	**1,820,058**

Fair Value Measurement of Financial Instruments

The Group assessed that the fair values of cash and cash equivalents, deposit bonds, receivables, payables, deferred consideration and interest bearing liabilities approximate their carrying amount largely due to the nature and maturity of these instruments.

The following table summarises the sensitivity of the Group to interest rate risk and foreign exchange risk.

		2017 Profit before tax $	2016 Profit before tax $
Interest rate risk			
Impact of a 100 basis point (bp) change in interest rate	-100 bp	(64,221)	(13,685)
	+100 bp	64,221	13,685
Foreign currency risk			
Impact of a 10% movement of exchange rate against Australian dollar	-10% depreciation of AUD	373,499	121,953
	+10% appreciation of AUD	(373,499)	(121,953)

The assumed movement in basis points for the interest rate and foreign exchange sensitivity analysis are based on the currently observable market environment.

The Group has exposure to foreign currency risk upon consolidation of its foreign currency denominated entities. The currencies impacted are primarily the United States dollar, Singapore dollar, Hong Kong dollar, Euro and Great British Pound. The impact on the Group's total comprehensive income is due to changes in the fair value of monetary assets and liabilities. Movements in foreign currency exchange rates will result in gain or loss in total comprehensive income as a result of the revaluation of monetary balances. The Group's exposure to foreign currency changes for all other currencies is not material.

NOTE 23. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation received by the key management personnel, including Directors of the Group as listed on page 16 of this report, is set out below:

	Consolidated	
	2017 $	2016 $
Short-term employee benefits	1,201,634	1,129,929
Post-employment benefits	95,869	68,789
Other long-term benefits	–	–
Termination benefits	–	–
Share-based payments	242,116	–
	1,539,619	**1,198,718**

NOTE 24. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group had contingent liabilities of approximately $36,806 as at 30 June 2017 (30 June 2016: $68,844). These contingent liabilities are related to future payments for the purchase of customer relationships and contracts from HFO Limited. These future payments are contingent upon the level of revenue to be received in future periods. The Group did not have any contingent assets as at 30 June 2017 or 30 June 2016.

NOTE 25. RELATED PARTY TRANSACTIONS

Subsidiaries

Interests in subsidiaries are set out in note 28.

Transactions with related parties

The Senior Secured Convertible Notes are guaranteed by a related party.

The Company's office premises in the Isle of Man is leased from a related party at commercial market rates on an arms-length basis.

With respect to the *Fundadministration, Inc* acquisition, as at 30 June 2017, there is $0.3 million (USD $198,380) recorded as other current liabilities. This relates to a liability due to the previous senior shareholder of *Fundadministration, Inc* for their historical retained earnings as agreed to between the respective parties in the Sale Agreement.

ShareBPO Pty Ltd, a wholly owned subsidiary of the Group, provides share registry services to the Company.

Total interest paid to related parties during the year ended 30 June 2017 was nil (2016: $51,871).

Total receivables due from related parties as at 30 June 2017 was nil (2016: $5,330).

Intercompany transactions

All intercompany transactions were made on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

NOTE 26. AUDITOR'S REMUNERATION

The auditor of MainstreamBPO Limited is Ernst & Young Australia. Amounts received or due and receivable by Ernst & Young are as follows:

	Consolidated	
	2017 $	2016 $
Audit services provided to the company and any other entity in the Group		
Audit or review of the financial reports	265,900	122,000
Other audit services:		
Assurance related (regulatory required audits)	14,000	14,000
Assurance related (controls reporting)	140,000	115,000
Assurance related (other)	62,667	38,000
Total audit services	**482,567**	**289,000**
Other non-audit services provided to the company and any other entity in the Group		
Review of remuneration arrangements	–	67,500
Other	9,429	6,000
Total non-audit services	**9,429**	**73,500**
Total audit and other services provided by Ernst & Young	**491,996**	**362,500**

NOTE 27. PARENT ENTITY INFORMATION

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

	Parent	
	2017 $	2016 $
Statement of financial position		
Total current assets	1,819,753	1,456,576
Total assets	18,996,526	6,880,418
Total current liabilities	(2,223,947)	(869,956)
Total liabilities	(9,606,398)	(869,956)
Equity		
Issued capital	15,268,947	8,835,653
Retained profits	(5,878,819)	(2,825,191)
Total equity	**9,390,128**	**6,010,462**
Loss of the parent entity	(3,053,628)	(1,725,645)
Total comprehensive loss of the parent entity	(3,053,628)	(1,725,645)

The group consolidated profit after income tax for the year ended 30 June 2017 was $1,424,794 (2016: $1,029,235). Refer to the consolidated statement of profit or loss and other comprehensive income for further details.

The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

The parent entity had no material capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

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

NOTE 28. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2:

Name of entity	Country of incorporation	Equity holding 2017 %	Equity holding 2016 %
FundBPO Pty Ltd	Australia	100	100
SuperBPO Pty Ltd	Australia	100	100
ShareBPO Pty Ltd	Australia	100	100
PropertyBPO Pty Ltd	Australia	100	100
MainstreamITO Pty Ltd	Australia	100	100
MortgageBPO Pty Ltd	Australia	100	100
LegacyBPO Pty Ltd	Australia	100	100
AdminBPO Pty Ltd	Australia	100	100
FundBPO Pte Ltd	Singapore	100	100
FundBPO (Nominees) Pte Ltd	Singapore	–	100
FundBPO (HK) Limited	Hong Kong	100	100
Fundadministration, Inc.	U.S.A	100	–
FundBPO USA LLC	U.S.A	100	–
FundBPO (Malta) Limited	Malta	100	–
FundBPO Cayman Ltd	Cayman Islands	100	–
Galileo Fund Services Ltd	Isle of Man	100	–
MAI Finance SPV Pty Ltd	Australia	100	–

NOTE 29. EVENTS AFTER THE REPORTING PERIOD

On 13 July 2017, the Company announced that it had entered into an agreement to acquire a part of IRESS's superannuation administration business, expanding the Company's presence in the growing superannuation administration sector. The accounting for the acquisition is not complete at the date of this report.

In connection with the proposed acquisition of Trinity Fund Administration announced on 18 May 2017, the Company has drawn down a $2 million tranche of senior secured notes, arranged by Mason Stevens Asset Management Pty Ltd, which is being held in escrow pending regulatory approval of the transaction. With the drawdown of the additional tranche, the expiry term of all outstanding Notes as outlined in Note 15 has been amended to expire on or before 30 June 2019, with early repayment allowable in $1 million tranches at the Company's discretion. In addition the Notes are now only convertible (at the noteholders' option) on default, rather than at term. As at the date of this report, the Company now has a total of $11million of Notes outstanding.

The accounting for the business acquisition of Trinity Fund Administration is not complete at the date of this report.

On 29 August 2017, the Board of Directors declared a fully franked final dividend for 2017 of $0.0075 per issued share (2016: $0.01), payable on 1 November 2017, taking the total dividends for FY17 to $0.0125. The Board of Directors also resolved to offer all Shareholders the right to participate in the Company's Dividend Reinvestment Plan (DRP) in respect to the 2017 final dividend. The DRP will operate at a 5% discount for the 2017 final dividend. A copy of the DRP is available on the Company website.

Directors' Declaration

In accordance with a resolution of the Directors of MainstreamBPO Limited, I state that:

1. In the opinion of the Directors:
   a) the financial statements and notes of MainstreamBPO Limited for the financial year ended 30 June 2017 are in accordance with the *Corporations Act 2001*, including:
      i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
      ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
   b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and
   c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the Directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2017.

On behalf of the Board

Byram Johnston OAM
Executive Chairman

Date: 29 August 2017
Sydney

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Independent Auditor's Report to the Members of MainstreamBPO Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of MainstreamBPO Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Recoverable value of goodwill and other intangible assets

Why significant	How our audit addressed the key audit matter
At 30 June 2017, the Group's goodwill and other intangible assets balance was $18.1m which represents 55%of total assets. The Directors' assessment of the recoverable value of goodwill and other intangible assets has been identified as a key audit matter and is significant to our audit as the assessment process is complex and judgmental and is based on assumptions relating to future market or economic conditions. In performing the recoverability assessment, the Group has applied various assumptions with respect to revenue and cash flow growth rates based on expectations and estimates of future results of the individual cash generating units. The Group has disclosed in note 11 to the financial report the assessment method, including the key underlying assumptions, the results of the assessments and the impact of applying sensitivities.	In performing our audit procedures we assessed and tested the assumptions and methodologies used in the Group's goodwill and other intangible assets value-in-use impairment model, which underpins the Directors' assessment. This included assessing the support for the forecast cash flows, working capital levels and the discount rates used. We assessed the level at which goodwill is monitored and evaluated the identification of cash generating units. Furthermore, we assessed the historical accuracy of the Group's forecasts, compared the market capitalisation of the Group to the net assets and analysed sensitivities for key assumptions which could give rise to an impairment. We involved our valuation specialists to assist with comparing the Group's discount rates and long term growth rates assumptions to external data and benchmarking the implied earnings multiples to comparable companies. We assessed the adequacy of the Group's disclosures in note 11 concerning the key assumptions and sensitivities.

2. Revenue recognition

Why significant	How our audit addressed the key audit matter
The Group provides outsourced fund administration services to a range of wealth management sector participants. During the current year, the Group expanded its operations into multiple jurisdictions with total fee income increasing by 55%from prior year to $27.6m. Complexity arises as the fee calculation process is largely manual and the majority of customer contracts are bespoke with fixed and/or variable components. Revenue recognition has been assessed as a key audit matter due to the nature and extent of estimates made and the wide variety of unique contract conditions, which leads to contract revenue recognition being complex and judgmental (Note 2g).	Our audit procedures included considering the appropriateness of the Group's revenue recognition accounting policies and evaluating and testing the Group's processes for recognising contract revenues. Our procedures over fee income included selecting a sample of transactions and agreeing to supporting documentation such as contracts, issued invoices and subsequent receipts (amounts paid post balance date) to bank statements. We assessed transactions taking place close to and subsequent to year end to check whether the revenue was recognised in the correct period. We performed analytics on revenue transactions across the Group. Where material variances were identified against our set expectations or testing threshold, we enquired with the Group to understand the variance and examined supporting evidence.

Building a better working world

3. Acquisition accounting

Why significant	How our audit addressed the key audit matter
On 4 October 2016, MainstreamBPO Limited acquired 100%of the shares of Fundadministation, Inc for purchase consideration of $7.9m. On 25 November 2016, MainstreamBPO Limited acquired 100%of the shares of Galileo Fund Services Limited for purchase consideration of $2.3m. The accounting for the above acquisitions has been identified as a key audit matter as the acquisitions are material and the accounting required significant judgment, including the purchase price allocation and the identification and determination of the fair value of assets acquired and liabilities assumed. MainstreamBPO Limited engaged external valuation experts to determine the fair value of the identifiable intangible assets acquired. Note 11 to the financial report discloses the final fair values of assets and liabilities acquired.	In performing our audit procedures we assessed the purchase agreements, consideration paid and the allocation of the purchase consideration to the fair value of assets acquired and liabilities assumed. We assessed the identification and valuation of the assets and liabilities acquired, and the deferred consideration recognised. We assessed the competence, independence and relevant experience of the external valuation expert engaged by the Group to value the identifiable intangible assets. We involved our valuation specialists to assess the methodologies and assumptions used to determine fair values. We also involved our tax specialists to assess the recognition and valuation of resulting deferred tax liabilities. We considered the adequacy of the related disclosures made in the notes to the financial report.

Other Information than the Financial Report and Auditor's Report

The directors are responsible for the other information. The other information comprises the information included in the Group's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Building a better working world

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of MainstreamBPO Limited for the year ended 30 June 2017, complies with section 300A of the Corporations Act 2001.

Responsibilities

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.

Ernst & Young

Ernst & Young

RDaSilva

Rita Da Silva
Partner
Sydney
29 August 2017

Shareholder Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 8 August 2017.

(a) Distribution of equity securities

Range	Shareholders	Holdings	Percentage
1 – 1000	13	3,223	0.0%
1001 – 5000	108	427,020	0.4%
5001 – 10,000	61	430,394	0.4%
10,001 – 100,000	177	7,368,325	7.5%
100,001 and above	36	90,574,912	91.7%
Total	**395**	**98,803,874**	**100%**

(b) Substantial shareholders

Position	Investor	Holdings	Percentage
1	SODOR HOLDINGS PTY LTD <SODOR INVESTMENT A/C>	23,364,562	23.6%
2	JOHNSTON BROS PTY LTD <MAINSTREAM INVESTMENT TRUST>	22,998,656	23.3%
3	JOHN PLUMMER	12,005,269	12.2%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,198,730	9.3%
Total		**67,567,217**	**68.4%**

(c) Twenty largest holders of quoted equity securities

Position	Investor	Holdings	Percentage
1	SODOR HOLDINGS PTY LTD <SODOR INVESTMENT A/C>	23,364,562	23.6%
2	JOHNSTON BROS PTY LTD <MAINSTREAM INVESTMENT TRUST>	22,998,656	23.3%
3	JOHN PLUMMER	12,005,269	12.2%
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	9,198,730	9.3%
5	DENISE DEPAOLA	4,266,794	4.3%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,203,722	3.2%
7	NATIONAL NOMINEES LIMITED	2,801,221	2.8%
8	CITICORP NOMINEES PTY LIMITED	2,026,649	2.1%
9	MIRRABOOKA INVESTMENTS LIMITED	1,920,589	1.9%
10	BOND STREET CUSTODIANS LIMITED <FORAGER WHOLESALE VALUE FD >	1,270,281	1.3%
11	BNP PARIBAS NOMS PTY LTD <DRP>	976,011	1.0%
12	KALAN SEVEN PTY LTD	909,381	0.9%
13	SANDHURST TRUSTEES LTD <JMFG CONSOL A/C>	862,919	0.9%
14	NOMEX NOMINEES PTY LTD <ACCUMULATION ACCOUNT>	462,058	0.5%
15	ROBERT FRANCIS WOMERSLEY & EQT WEALTH SERVICES LIMITED <E M RUSSELL EST>	375,000	0.4%
16	RICHARDS SUPERANNUATION FUND PTY LTD <RICHARDS SUPER FUND A/C>	350,000	0.4%
17	MR VICTOR JOHN PLUMMER	300,000	0.3%
18	MR MARTIN CHARLES SMITH & MRS SHARON LEE SMITH <SMITH FAMILY S/F NO2 A/C>	285,000	0.3%
19	STRATH DEE PTY LTD	250,000	0.3%
20	MARTINI SUPER PTY LTD <MARTINI SUPERFUND A/C>	250,000	0.3%
Total		**88,076,842**	**89.1%**

(d) Voluntary escrow

The Shareholders referred to below voluntarily entered into restriction agreements in connection with the Company's IPO on 1 October 2015, under which they agreed not to sell, dispose of or encumber any of the Escrowed Shares held by them for the periods referred to below:

Shares to be released	Escrow release conditions
The remaining 50% of Escrowed Shares held by the Escrowed Shareholders.	24 months from quotation of Company's Shares on ASX 1 October 2017.

The relevant shareholdings of each of the Escrowed Shareholders are set out below:

Escrowed Parties	Escrowed Shares subject to Voluntary Escrow
SODOR HOLDINGS PTY LTD <SODOR INVESTMENT A/C>	12,800,000
JOHNSTON BROS PTY LTD <MAINSTREAM INVESTMENT TRUST>	11,840,000
JOHN PLUMMER	5,792,000

Corporate Information

DIRECTORS

Byram Johnston OAM – Executive Chairman, MainstreamBPO
Martin Smith – Chief Executive Officer, MainstreamBPO
Michael Houlihan – Chief Executive Officer, SuperBPO
John Plummer – Non-Executive Director
Lucienne Layton – Non-Executive Director

COMPANY SECRETARY

Alicia Gill, MainstreamBPO

REGISTERED OFFICE

Level 1
51-57 Pitt Street
Sydney NSW 2000

SOLICITORS

Sekel Grinberg Lawyers
Level 8, Currency House
23 Hunter Street
Sydney NSW 2000

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000

SHARE REGISTRY

ShareBPO Pty Limited
GPO Box 4968
Sydney NSW 2001

SECURITIES EXCHANGE LISTING

Australian Securities Exchange
ASX code (ordinary shares): MAI

WEBSITE

www.mainstreambpo.com

SHAREHOLDER INFORMATION

Shareholder Information for MAI can be found in the MAI Shareholder Centre:
www.mainstreambpo.com/shareholdercentre

CORPORATE GOVERNANCE STATEMENT

The Corporate Governance Statement can be found in the MAI Shareholder Centre:
www.mainstreambpo.com/shareholdercentre

MAINSTREAM