Ashley Services Group Limited (ASX: ASH)
ABN: 92 094 747 510

ASHLEY SERVICES GROUP
LABOUR HIRE | RECRUITMENT | TRAINING

Appendix 4D:
Half-year Information
5 January 2020

Results for announcement to the market	$000
Revenues from ordinary activities	up 23.8% to 183,380
Profit from ordinary activities after tax attributable to members	Up by 26.8% or 726 to 3,431
Net profit for the period attributable to members	Up by 26.8% or 726 to 3,431

The Group has adopted Accounting Standards AASB 16: Leases for the half-year ended 5 January 2020.

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend for the half year ended 5 January 2020	0.0 cents	0.0 cents

Record date for determining entitlements to the dividend N/A

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item (s) of importance not previously released to the market:
Please refer attached Directors' Report and Interim Financial Statements for the half year ended 5 January 2020 and the attached press release.

The remainder of the information requiring disclosure to comply with listing rule 4.2A is contained in the attached Directors' Report and Interim Financial Statements for the half year ended 5 January 2020, the attached press release, and the additional information below.

The previous corresponding period is 2 July 2018 to 30 December 2018, except for the Consolidated Statement of Financial Position, where comparatives are balances as at 30 June 2019.

Additional information	
Net Tangible Assets per ordinary share:	$0.090[1] (June 2019 $0.163)

Note:

1. Right-of-use assets have been considered as intangible assets and as such are excluded assets for the purposes of the Net Tangible Assets calculation.

Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Statements.

R Hollands

Ron Hollands
Company Secretary
Sydney, 28 February 2020

Ashley Services Group Limited

ABN: 92 094 747 510

Interim Financial Statements

For the half year ended 5 January 2020

Ashley Services Group Interim Financial Statements for the half year ended 5 January 2020

Directors' Report

The Directors present their report together with the financial statements of the consolidated entity, being Ashley Services Group Limited and its controlled entities ("**Group**") for the half-year ended 5 January 2020.

DIRECTOR DETAILS

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

Names	Appointed / Resigned
Mr Ross Shrimpton	Appointed 12 October 2000, re-appointed Managing Director 23 January 2017
Mr Ian Pratt	Appointed 1 October 2015
Mr Chris McFadden	Appointed 6 April 2017

The above named Directors held office since the start of the financial half-year to the date of this report.

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

a. Earnings and result

Earnings

Net profit after tax ("**NPAT**") for the financial half year ended 5 January 2020, including our first contribution from our newly acquired interest in the CCL Group of $1.3 million, was a total group profit of $3.4 million (1H 2019: profit $2.7 million).

Additional Corporate costs of $0.1 million, largely related to the acquisition, and an additional $0.2 million charge resulting from the adoption of AASB16: Leases, meant the like for like NPAT from the pre-existing business was effectively down $0.4 million, primarily due to the launch of Concept Recruitment Specialists.

Key elements within the result include:

Revenues

Revenue at $183.4 million increased by $35.2 million (23.8%) from the comparative period, with $24.9 million of the increase coming from CCL.

Labour Hire revenues for the first half were up by $9.9 million (6.9%), with Action Workforce leading the way, whilst Training was also up by 9.9%.

Earnings before interest taxes depreciation and amortisation ("EBITDA")

EBITDA for the financial half year was a profit of $6.1 million, up $1.5 million or 33.8% on the prior corresponding period (1H 2019: profit of $4.5 million).

- Labour Hire EBITDA of $5.5 million, was down $0.3 million or -5.9% on the prior corresponding period (1H 2019: $5.8 million), primarily due to costs incurred in the launch of Concept Recruitment Specialists. Strength in Action Workforce was offset by weakness in Concept Engineering particularly across Q1 (when compared to a strong Q1 FY19)
- Training EBITDA of $0.8 million was up $0.3 million on the prior corresponding period (1H 2019: $0.5 million), reflecting a continuation of the improving profitability trend for this division
- Corporate overheads, at $1.9 million, were up $0.2 million on prior corresponding period (1H 2019: $1.8 million), primarily due to additional costs incurred in relation to the acquisition of the CCL Group
- CCL Group EBITDA of $1.7m represented a pleasing growth in profitability relative to the FY19 full year EBITDA of $2.85m.

Statement of financial position

Directors' Report

The acquisition of the CCL group has seen a significant change to our statement of financial position, with increases across the majority of individual lines.

Net assets at $24.6 million were down by $2.0 million on the financial year ending 30 June 2019 position of $26.6 million, primarily due to the creation of a non-current redemption liability ($2.0 million) in relation to the 20% Put option related to the CCL Group acquisition.

Noteworthy balance sheet movements include:

- Trade Receivables up $11.0m - CCL $9.4m
- Right-of-use Asset $2.2m - AASB16 adoption
- Intangible Assets up $6.3m - CCL Goodwill
- Trade Payables up $5.1 m - CCL $3.8m
- Dividends Payable up $2.6m - CCL FY19 dividend payable in H2 FY20
- Borrowings up $5.7m – CCL acquisition initial payment $5.7m
- Lease Liabilities (Current) up $0.9m - AASB16 adoption
- Other Liabilities (Current) up $1.4m - CCL Contingent Consideration $1.4m
- Lease Liabilities (Non-current) up $1.4m - AASB16 adoption
- Other Liabilities (Non-current) up $2.8m - CCL Contingent Consideration $0.8m, CCL Redemption Liability $2.0m
- Common Control Reserve up $1.6m – related to CCL Redemption Liability less Non-controlling interests ($2.0m - $0.4m).

Operating Cash Flow

The operating cash flow for the half year period was an inflow of $2.2 million (1H 2019: inflow of $0.3 million).

At $2.2 million this is our strongest first half operating cash flow result achieved since listing back in August 2014.

The first half also saw the $3.9 million payment of the 2019 final dividend and the $5.7 million initial payment ($4.8m net of cash acquired) for the CCL Group acquisition funded by drawing down against our recently established Bank Bill Business Loan.

DIVIDEND

During the half-year ended 5 January 2020, the Group paid a fully franked final dividend of $3.9 million on 6 September 2019 which represents a payment of 2.7 cents per share.

No dividend has been declared in relation to the current six-month period as the Group's preference is for fully franked dividends. Given the utilisation of tax losses this is best delivered via a final dividend for the 2020 financial year broadly in line with the dividend timetable undertaken in the prior two years since resumption of dividends.

Directors' Report

ENTITIES OVER WHICH CONTROL HAS BEEN GAINED OR LOST DURING THE HALF-YEAR PERIOD

During the half-year ended 5 January 2020, 80% of the shares in the CCL Group were acquired.

The CCL Group is comprised of the following companies:

- Construction Contract Labour (VIC) Pty Ltd
- Complete Traffic Services (VIC) Pty Ltd
- CCL Filcon Pty Ltd

The acquisition was completed on 20 December 2019 with a financial effective date of 1 July 2019.

		Ownership interest held by the Group				Share of operating profits, net of tax	
Name of entity	Country of Incorporation	5 Jan 2020	30 Jun 2019	Nature of relationship	Measurement method	5 Jan 2020	30 Jun 2019
Construction Contract Labour (VIC) Pty Ltd	Australia	80%	-	Subsidiary	Consolidated	N/A	-
Complete Traffic Services (VIC) Pty Ltd	Australia	80%	-	Subsidiary	Consolidated	N/A	-
CCL Filcon Pty Ltd	Australia	80%	-	Subsidiary	Consolidated	N/A	-
CCL Group	**Australia**	**80%**	**-**	**Subsidiary**	**Consolidated**	**1,065**	**-**

There was no loss of control of any entities during the half-year period.

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 7 of this financial report and forms part of this Directors Report.

ROUNDING OFF OF AMOUNTS

The Group is a Company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore amounts in the Directors' Report and the consolidated financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the Directors:

Ian Pratt
Chairman
Sydney, 28 February 2020

Managing Director

Ross Shrimpton

HLB MANN JUDD

Auditor's Independence Declaration

As lead auditor for the review of the financial report of Ashley Services Group Limited for the half-year ended 5 January 2020, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Ashley Services Group Limited and the entities it controlled during the period.

Sydney, NSW
28 February 2020

S P James
Director

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 5 January 2020

	Note	6 months to 5 Jan 2020 $000	6 months to 30 Dec 2018 $000
Revenue		183,380	148,167
Other income		429	648
Employment costs		(174,287)	(141,443)
Depreciation and amortisation expense		(1,174)	(447)
Finance costs		(379)	(370)
Other expenses		(3,395)	(2,804)
Profit before income tax from continuing operations		**4,574**	**3,751**
Income tax expense		**(1,143)**	**(1,046)**
Profit from continuing operations		**3,431**	**2,705**
Profit/ (loss) for the period from discontinued operations		-	-
Profit for the period		**3,431**	**2,705**
Other comprehensive income		-	-
Total comprehensive Income for the period		**3,431**	**2,705**
Total comprehensive income for the half year is attributable to:			
Owners of Ashley Services Group Limited		3,165	2,705
Non-controlling interests		266	-
		3,431	**2,705**
Basic earnings per share (cents) from continuing operations	10	2.20	1.88
Diluted earnings per share (cents) from continuing operations	10	2.20	1.88
Basic earnings per share (cents) from discontinued operations	10	-	-
Diluted earnings per share (cents) from discontinued operations	10	-	-
Basic earnings per share (cents) Total	10	**2.20**	**1.88**
Diluted earnings per share (cents) Total	10	**2.20**	**1.88**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 5 January 2020

	Note	5 Jan 2020 $000	30 Jun 2019 $000
Assets			
Current assets			
Cash and cash equivalents		5,088	6,784
Trade and other receivables		39,507	28,524
Contract assets		799	571
Other assets		1,904	1,444
Total current assets		**47,298**	**37,323**
Non-current assets			
Property, plant and equipment		1,167	1,140
Right-of-use assets		2,198	-
Deferred tax assets		4,486	3,602
Intangible assets	7	9,450	3,200
Total non-current assets		**17,301**	**7,942**
Total assets		**64,599**	**45,265**
Liabilities			
Current liabilities			
Trade and other payables		18,981	13,900
Current tax payable		2,268	307
Dividends payable		2,620	-
Lease liabilities		886	-
Other liabilities	8	1,422	-
Provisions		2,431	2,295
Total current liabilities		**28,608**	**16,502**
Non-current liabilities			
Borrowings	9	5,712	-
Deferred tax liabilities		730	964
Lease liabilities		1,372	-
Other liabilities	8	2,775	-
Provisions		810	1,175
Total non-current liabilities		**11,399**	**2,139**
Total liabilities		**40,007**	**18,641**
Net assets		**24,592**	**26,624**
Equity			
Share capital	11	148,815	148,815
Common control reserve		(58,997)	(57,687)
Accumulated losses		(65,226)	(64,504)
Total Equity		**24,592**	**26,624**

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 5 January 2020

	Share Capital $000	Common Control Reserve $000	Accumulated Losses $000	Non-controlling Interest $000	Total $000
For the half year ended 5 January 2020					
Balance at 1 July 2019	**148,815**	**(57,687)**	**(64,504)**	**-**	**26,624**
Profit for the financial period	-	-	3,165	266	3,431
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**3,165**	**266**	**3,431**
Recognition of non-controlling interest of CCL Group	-	-	-	397	397
Derecognition of non-controlling interest of CCL Group	-	663	-	(663)	-
Other equity	-	(1,973)	-	-	(1,973)
Dividends paid	-	-	(3,887)	-	(3,887)
Balance at 5 January 2020	**148,815**	**(58,997)**	**(65,226)**	**-**	**24,592**
For the half year ended 30 December 2018					
Balance at 2 July 2018	**148,815**	**(57,687)**	**(66,329)**	**-**	**24,799**
Profit for the financial period	-	-	2,705	-	2,705
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**2,705**	**-**	**2,705**
Dividends paid	-	-	(3,599)	-	(3,599)
Balance at 30 December 2018	**148,815**	**(57,687)**	**(67,223)**	**-**	**23,905**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the half year ended 5 January 2020

	6 months to 5 Jan 2020 $000	6 months to 30 Dec 2018 $000
Cash flows from operating activities		
Receipts from customers	192,439	161,680
Payments to suppliers and employees	(189,454)	(160,687)
Interest received	21	28
Finance costs paid	(370)	(355)
Income tax paid	(477)	(366)
Net cash from continuing operations	**2,159**	**300**
Net cash from discontinued operations	**-**	**-**
Net cash from operating activities	**2,159**	**300**
Cash flows from investing activities		
Payments for property, plant and equipment in continuing operations	(388)	(523)
Proceeds from sale of property, plant and equipment	-	57
Payment for businesses acquired net of cash acquired	(4,812)	-
Net cash used in investing activities	**(5,200)**	**(466)**
Cash flows from financing activities		
Net proceed from external borrowings in continuing operations	5,712	-
Repayment of leasing liabilities	(480)	-
Payment of dividends	(3,887)	(3,599)
Net cash from / (used in) financing activities	**1,345**	**(3,599)**
Net cash decrease in cash and cash equivalents	**(1,696)**	**(3,765)**
Cash and cash equivalents at beginning of period	6,784	6,364
Cash and cash equivalents at the end of the period	**5,088**	**2,599**

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed interim consolidated financial statements ('the interim financial statements') of the Group are for the six months ended 5 January 2020 and are presented in Australian Dollar (A$), which is the functional currency of the Parent Company. These general purpose interim financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2019 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the *Corporations Act 2001*.

The interim financial statements were approved and authorised for issue by the Board of Directors on 28 February 2020.

2. SIGNIFICANT ACCOUNTING POLICIES

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2019, except for changes of the new, revised or amending Accounting Standards and Interpretations adopted during the period described below.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has applied all new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The main new Accounting Standards and Interpretations that became effective during the current reporting period are as follows:

AASB 16: Leases

The Group has adopted *AASB 16: Leases* from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 July 2019.

(a) The Group's leasing activities and how these are accounted for

The Group leases various offices and equipment. Rental contracts are typically made for fixed periods of 2 to 5 years, both with and without extension options.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2019 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Notes to the Financial Statements

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to statement of financial performance over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of office are recognised on a straight-line basis as an expense in statement of financial performance. Short-term leases are leases with a lease term of 12 months or less.

(b) Impact of adoption

On adoption of AASB 16, the Group recognised lease liabilities and associated right-of-use assets in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3%.

(c) Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics.
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review. There were no onerous contracts as at 1 July 2019.

Notes to the Financial Statements

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(d) Measurement of lease liabilities

Below is a reconciliation between the operating lease commitments reported as at 30 June 2019 and lease liabilities recognised under AASB16 *Leases* on 1 July 2019.

	2019
	$000
Operating lease commitments disclosed as at 30 June 2019	3,140
Less: Discount based on the weighted average incremental borrowing rate of 3%	(233)
Less: Low value and short-term lease commitments	(96)
Lease liability recognised as at 1 July 2019	2,811
Of which are:	
Current lease liabilities	1,439
Non-current lease liabilities	1,372
	2,811

(e) Adjustments recognised in the condensed consolidated statement of financial position on 1 July 2019

The change in accounting policy affected the following items in the condensed consolidated statement of financial position on 1 July 2019:

- right-of-use assets – increase by $2,810,721
- lease liabilities – increase by $2,810,721

There was no impact on retained earnings on 1 July 2019 as the Group has used the practical expedients permitted by the standard. Refer to Note 2(c).

(f) Amounts recognised in condensed consolidated statement of financial position

	5 Jan 2020	1 Jul 2019
	$000	$000
Right-of-use assets		
Buildings	**2,198**	2,811
	2,198	2,811
Lease liabilities		
Current	**886**	1,439
Non-current	**1,372**	1,372
	2,258	2,811

Additions to the right-of-use assets during the half year ended 5 January 2020 were $0 and the total cash outflow for leases was $480,532.

(g) Amounts recognised in condensed consolidated statement of financial performance

	5 Jan 2020	30 Dec 2018
	$	$
Depreciation charge of right-of-use assets		
Buildings	**613**	-
	613	-
Interest expense (included in finance costs)	**51**	-
Expense relating to short-term leases (included in other expenses)	**252**	-

(h) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of AASB 16.

Other amending Accounting Standards and Interpretations

Several other amending Accounting Standards and Interpretations apply for the first time for the current reporting period commencing 1 July 2019. These other amending Accounting Standards and Interpretations did not result in any adjustments to the amounts recognised or disclosures in the interim financial report.

New, revised or amending Accounting Standards and Interpretations issued but not yet mandatory

Any new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are not mandatory to the Group for the current reporting period have not been adopted. These new, revised or amending Accounting Standards and Interpretations are not expected to have any material impact on the Group's financial report in future reporting periods based on the Group's current activities. If the activities of the Group were to change in the future, these Accounting Standards and Interpretations may have a significant impact on the Group's future financial reports.

Notes to the Financial Statements

3. ESTIMATES

When preparing the interim financial statements, management make a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2019, unless otherwise stated.

4. BUSINESS COMBINATIONS

During the half year ended 5 January 2020, Ashley Services Group Limited acquired a major shareholding in the CCL Group. The acquisition was completed on 20 December 2019 with an effective date for the transaction of 1 July 2019. The estimated acquisition price for the 80% purchase of the CCL Group was $7.89 million but will be adjusted for subsequent earn-outs for FY20 and FY21 (currently estimated at FY19 EBITDA levels). The initial payment comprises 80% of the total purchase price based on the audited FY19 results (being for 80% (of the 80%)), with subsequent earn-outs based on FY20 (10%) and FY21 (10%) audited results.

The CCL Group is one of the primary suppliers of contract labour in Victoria with a focus on the infrastructure, building and civil construction sectors. The CCL Group is also a key supplier of traffic management services for a range of construction based organisations.

The CCL Group is comprised of the following companies:

- Construction Contract Labour (VIC) Pty Ltd
- Complete Traffic Services (VIC) Pty Ltd
- CCL Filcon Pty Ltd

In addition, the Share Sale and Purchase Agreement provides for both Call and Put Options relating to the remaining 20% shareholding which was retained by both the founder and key management. As at the effective date of the transaction Ashley Services Group Limited did not have a present ownership interest in the remaining 20% shareholding.

The Call Option can be exercised by the Purchaser at any time within 20 years after 20 December 2019 but the Purchaser has the right to reduce this period to 10 years.

The Put Option can be exercised by any of the Remaining Shareholders (acting independently of the others):

- at any time upon the occurrence of a Control Event in respect of Ashley Services Group Limited;
- if the Extended EBAs in respect of both CTS and CCL are entered into on or before 20 June 2022 – at any time after 20 December 2022;
- if either or both of the Extended EBAs in respect of CTS and CCL is entered into after 20 June 2022 – six months after they have both been entered into;
- at any time after 20 December 2025, regardless of whether the Extended EBAs in respect of both CTS and CCL have been entered into.

The Put Option expires 20 years after Completion but the Purchaser has the right to reduce this period to 10 years.

The business combination has been accounted for on the basis that the underlying shares subject to the Put Option have not been acquired. The Put Option has been recognised as a financial liability per Note 8.

Notes to the Financial Statements

	Note		1 July 2019[1] $000
Purchase consideration			
Cash consideration			5,712
Contingent consideration	8		2,178
Total consideration			**7,890**
Assets and liabilities acquired:			
Cash and cash equivalents			900
Trade and other receivables			9,081
Property, plant and equipment			270
Deferred tax assets			405
Trade and other payables			(5,050)
Dividends payable			(2,620)
Current tax payable			(614)
Non-current liabilities			(387)
Fair value of assets acquired			**1,985[2]**
Less: Assets and liabilities attributable to non-controlling interest			
Non-controlling interest at 20%			(397)[3]
Fair value of assets acquired attributed to controlling interest of parent entity			**1,588**
Goodwill on acquisition			**6,302**
Cashflows on acquisition			
Cash consideration			5,712
Cash acquired			(900)
Total cashflow outflows on acquisition to 5 January 2020			**4,812**

Note:

1. Effective date of CCL Group acquisition.
2. As at the date of this report the fair value of intangible assets have not been determined and have not been included in the provisional accounting for the business combination. The fair value of intangible assets acquired will be determined as soon as practicable and within one year as required under AASB 3 Business Combinations. At that time final accounting for the business combination will be reflected in the financial statements on a retrospective basis.
3. As at balance date 5 January 2020 the non-controlling interest has been derecognised as if it was acquired at that date, allowing for recognition of the redemption liability as detailed in Note 8.

Notes to the Financial Statements

5. IMPAIRMENT

a. Impairment tests for goodwill and other intangibles

The consolidated entity tests whether goodwill and other intangible assets have suffered any impairment on an annual basis, or more frequently, if required.

Other than $194k in Training for Intellectual Property (Curriculum) which has been capitalised since the commencement of the 2019 financial year, all remaining goodwill and other intangibles are confined to the Labour Hire division (which includes the CCL Group acquisition).

There were no indicators of impairment in relation to the Labour Hire division at 5 January 2020.

Notes to the Financial Statements

6. SEGMENT REPORTING

Management identifies its operating segments based on the Group's service lines, which represent the main products and services provided by the Group. The Group's management has identified two operating segments, Labour Hire and Training. Recruitment is included in the Labour Hire segment as is the newly acquired CCL Group.

During the six-month period to 5 January 2020, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss.

The revenues and profit generated by each of the Group's operating segments are summarised as follows:

6 months to 5 January 2020	Labour Hire $000	Training $000	Total $000
Revenue			
From external customers[1]	178,988	4,392	183,380
Segments revenue	**178,988**	**4,392**	**183,380**
Other income	402	8	410
Employment costs	(170,171)	(3,002)	(173,173)
Depreciation and amortisation expense	(413)	(324)	(737)
Finance costs	(98)	(6)	(104)
Other expenses	(2,002)	(597)	(2,599)
Segment Profit	**6,706**	**471**	**7,177**
Other unallocated items			(2,603)
Profit before tax			**4,574**
Unallocated income tax expense			(1,143)
Total comprehensive income from continuing operations			**3,431**

6 months to 30 December 2018	Labour Hire $000	Training $000	Total $000
Revenue			
From external customers[1]	144,168	3,999	148,167
Segments revenue	**144,168**	**3,999**	**148,167**
Other income	566	54	620
Employment costs	(137,481)	(2,901)	(140,382)
Depreciation and amortisation expense	(229)	(58)	(287)
Finance costs	(74)	(2)	(76)
Other expenses	(1,418)	(689)	(2,107)
Segment Profit	**5,532**	**403**	**5,935**
Other unallocated items			(2,184)
Profit before tax			**3,751**
Unallocated income tax expense			(1,046)
Total comprehensive income from continuing operations			**2,705**

Note:

1. Revenue recognised at a point in time $178,052 (1H 2019: $142,322).
   Revenue recognised over time $5,328 (1H 2019: $5,845).

Notes to the Financial Statements

7. INTANGIBLE ASSETS

	5 Jan 2020 $000	30 Jun 2019 $000
Goodwill		
Cost	65,256	65,256
Acquisition	6,302	-
Impairment	(62,474)	(62,474)
Net carrying value	**9,084**	**2,782**
Customer relationships/Licences		
Cost	2,062	2,062
Impairment	(918)	(918)
Accumulated amortisation	(972)	(907)
Net carrying value	**172**	**237**
Brand names		
Cost	4,640	4,640
Impairment	(4,640)	(4,640)
Net carrying value	**-**	**-**
Intellectual property - course materials		
Cost	8,145	8,132
Impairment	(3,896)	(3,896)
Accumulated amortisation	(4,055)	(4,055)
Net carrying value	**194**	**181**
Total intangible assets	**9,450**	**3,200**

The following table shows movements in intangible assets:

6 months to 5 January 2020	Goodwill $000	Customer Relationships and Licenses $000	Brand Names $000	Course Materials $000	Total $000
Balance at1 July 2019	**2,782**	**237**	-	**181**	**3,200**
Additions	6,302	-	-	142	6,444
Amortisation	-	(65)	-	(129)	(194)
Balance at 5 January 2020	**9,084**	**172**	-	**194**	**9,450**

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

Notes to the Financial Statements

8. OTHER LIABILITIES

	5 Jan 2020 $000	30 Jun 2019 $000
Current		
CCL Contingent Consideration - Retention	600	-
CCL Contingent Consideration - Earn Out Year 1	789	-
Other	33	-
Other liabilities (Current)	**1,422**	**-**
Non- current		
CCL Contingent Consideration - Earn Out Year 2	789	-
Redemption Liability	1,973	-
Other	13	-
Other liabilities (Non-current)	**2,775**	**-**

The Put Option can be exercised by any of the Remaining Shareholders (acting independently of the others):

- at any time upon the occurrence of a Control Event in respect of Ashley Services Group Limited;
- if the Extended EBAs in respect of both CTS and CCL are entered into on or before 20 June 2022 – at any time after 20 December 2022;
- if either or both of the Extended EBAs in respect of CTS and CCL is entered into after 20 June 2022 – six months after they have both been entered into;
- at any time after 20 December 2025, regardless of whether the Extended EBAs in respect of both CTS and CCL have been entered into.

The Put Option expires 20 years after Completion but the Purchaser has the right to reduce this period to 10 years.

The Put Option represents a contractual obligation to purchase a non-controlling interest, which gives rise to a financial liability. This liability referred to as ‘redemption liability’ has been measured at the present value of the redemption amount or the put option consideration amount in accordance with the underlying Share Sale and Purchase Agreement.

Notes to the Financial Statements

9. BORROWINGS

	Available facility $000	Facility used $000	Remaining facility $000
Invoice Financing	13,000	-	13,000
Bank Bill Business Loan	7,000	5,712	1,288
Shrimpton Holdings Facility	5,000	-	5,000
Balance at 5 January 2020	**25,000**	**5,712**	**19,288**

	Available facility $000	Facility used $000	Remaining facility $000
Shrimpton Holdings Facility	5,000	-	5,000
Balance at 30 June 2019	**5,000**	**-**	**5,000**

Working capital facility

During the half year ended 5 January 2020, Ashley Services Group Limited entered into a new banking partnership facility with the Westpac Banking Corporation which included all transactional banking requirements as well as a $20 million financing facility, comprised of a $13 million Invoice Financing facility and a $7 million Bank Bill Business Loan (with a term of 3 years).

The Westpac facility is subject to a Security which includes, but is not limited to the following:

- 1st ranking General Security Agreement over the assets and undertakings of the Borrower and its Guarantors;
- Contractual Subordination of Shrimpton Holdings Pty Ltd facility of $5 million; and
- Flawed Asset Arrangement – Deposit of Action Workforce Pty Ltd and Concept Engineering (AUST) Pty Ltd for Invoice Finance Facility collections.

As at 5 January 2020, the Group retained a $5 million working capital facility through Shrimpton Holdings Pty Limited, a company associated with Ross Shrimpton, Managing Director, major shareholder of the Group. Shrimpton Holdings Pty Limited has fixed and floating charges over the Group's assets, subject to conditions outlined by a separate agreement between Ashley Services Group Limited and Shrimpton Holdings Pty Limited and in line with the conditions outlined in the ASX Listing Rule Waiver as subsequently revised on 6 August 2018, following the extension of the Facility Agreement out until 31 January 2020.

As at 5 January 2020, the $7 million Bank Bill Business Loan was drawn to $5.712 million. Both the $13 million Invoice Financing facility and the $5 million Shrimpton Holdings Facility were undrawn (30 June 2019, nil).

Notes to the Financial Statements

10. EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to members of the parent entity as the numerator:

	6 months to 5 Jan 2020 $000	6 months to 30 Dec 18 $000
Net profit after tax attributable to members of the parent entity	3,165	2,705
Weighted number of ordinary shares outstanding during the year used in calculating basic and diluted earnings per share (EPS)	143,975,904	143,975,904
Basic earnings per share (cents) from continuing operations[1]	2.20	1.88
Diluted earnings per share (cents) from continuing operations[1]	2.20	1.88
Basic earnings per share (cents) from discontinued operations[1]	-	-
Diluted earnings per share (cents) from discontinued operations[1]	-	-
Basic earnings per share (cents) Total[1]	**2.20**	**1.88**
Diluted earnings per share (cents) Total[1]	**2.20**	**1.88**

Note:

1. Attributable to members of the parent entity.

11. SHARE CAPITAL

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

	5 Jan 2020 $000	30 Jun 2019 $000
143,975,904 (Jun-19: 143,975,904) fully paid ordinary shares	148,815	148,815
	5 Jan 2020 Number of rights	**30 Jun 2019 Number of rights**
Performance rights	-	-

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

During the six months to 5 January 2020, the Group issued no Performance Rights to employees.

The terms of the Performance Plan have been outlined in the Company's 2019 Annual Report.

Notes to the Financial Statements

12. FAIR VALUE MEASUREMENT

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated – 5 Jan 2020	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Total assets	-	-	-	-
Liabilities				
CCL Contingent Consideration – Retention	-	600	-	600
CCL Contingent Consideration – Earn Out Year 1	-	-	789	789
CCL Contingent Consideration – Earn Out year 2	-	-	789	789
Redemption liability	-	-	1,973	1,973
Total liabilities	-	600	3,551	4,151

Consolidated - 30 Jun 2019	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Assets				
Total assets	-	-	-	-
Liabilities				
Total liabilities	-	-	-	-

There were no transfers between levels during the half-year period.

The fair values of the Group's remaining assets and liabilities are approximately equal to their carrying values.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Notes to the Financial Statements

Valuation techniques for fair value measurements categorised within level 2 and level 3

The contingent consideration – retention has arisen as a result of the business combination detailed in Note 4. The liability is contingent on the CCL Group continuing to operate specific enterprise bargaining terms and conditions over a three-year period from completion date of the acquisition. In accordance with the CCL Group Share Sale and Purchase Agreement, the agreed retention amount is $600,000.

The contingent consideration – earn out year 1 and year 2 have arisen as a result of the business combination detailed in Note 4. The liabilities will be adjusted for subsequent earn-outs for FY20 and FY21 and have currently been valued using estimated FY19 EBITDA levels.

The redemption liability has arisen as a result of the business combination detailed in Note 4. The liability has been valued at the present value of the redemption amount or the put option consideration amount in accordance with the underlying CCL Group Share Sale and Purchase Agreement.

Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current half-year period are set out below:

Consolidated	CCL Contingent Consideration – Earn Out Year 1 $000	CCL Contingent Consideration – Earn Out Year 2 $000	Redemption Liability $000	Total $000
Balance at 1 July 2019	-	-	-	-
Gains / (losses) recognised in other comprehensive income	-	-	-	-
Additions	789	789	1,973	3,551
Settlements during the half-year	-	-	-	-
Balance at 5 January 2020	789	789	1,973	3,551

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	**Unobservable inputs**	**Range (weighted average)**	**Sensitivity**
CCL Contingent Consideration – Earn Out 1	EBITDA FY20	2,854,818	10% change would increase/decrease fair value by $78,892.
CCL Contingent Consideration – Earn Out 2	EBITDA FY21	2,854,818	10% change would increase/decrease fair value by $78,892.
Redemption liability	EBITDA FY during which Put Option exercised & EBITDA FY immediately following FY during which Put Option exercised	2,854,818	10% change would increase/decrease fair value by $197,230.

13. DIVIDENDS

Notes to the Financial Statements

During the half-year ended 5 January 2020, the Group paid a fully franked final dividend of $3.9 million on 6 September 2019 which represents a payment of 2.7 cents per share. No dividend has been declared in relation to the current six-month period.

14. CONTINGENT LIABILITES

The Group had no contingent liabilities at 5 January 2020.

15. EVENTS AFTER THE REPORTING DATE

The $5 million working capital facility through Shrimpton Holdings Pty Limited, a company associated with Ross Shrimpton, Managing Director, major shareholder of the Group, was re-evaluated by the Board in line with its imminent expiry date. The facility has been determined to be in excess of the Group's funding requirements following the establishment of the new Westpac facilities. Accordingly, this facility has not been renewed and has since expired on 31 January 2020.

No other matters or circumstances have arisen since the end of the financial half-year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future reporting periods.

Directors' Declaration

In the opinion of the Directors of Ashley Services Group Limited:

a. the consolidated financial statements and notes of Ashley Services Group Limited and its controlled entities are in accordance with the *Corporations Act 2001*, including:

   i. giving true and fair view of its financial position as at 5 January 2020 and of its performance for the half-year ended on that date; and

   ii. complying with Accounting Standard AASB 134 *Interim Financial Reporting*; and

b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Ross Shrimpton
Director

Sydney, 28 February 2020

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Ashley Services Group Limited ("the company") which comprises the consolidated statement of financial position as at 5 January 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Ashley Services Group Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 5 January 2020 and of its performance for the half-year ended on that date; and
(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 5 January 2020 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

hlb.com.au

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Independence

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

HLB Mann Judd Assurance (NSW) Pty Ltd **Chartered Accountants**	**S P James** **Director**

Sydney, NSW
28 February 2020