2021
ANNUAL REPORT

MAINSTREAM GROUP HOLDINGS LIMITED
AND ITS CONTROLLED ENTITIES

ABN 48 112 252 114

MAINSTREAM

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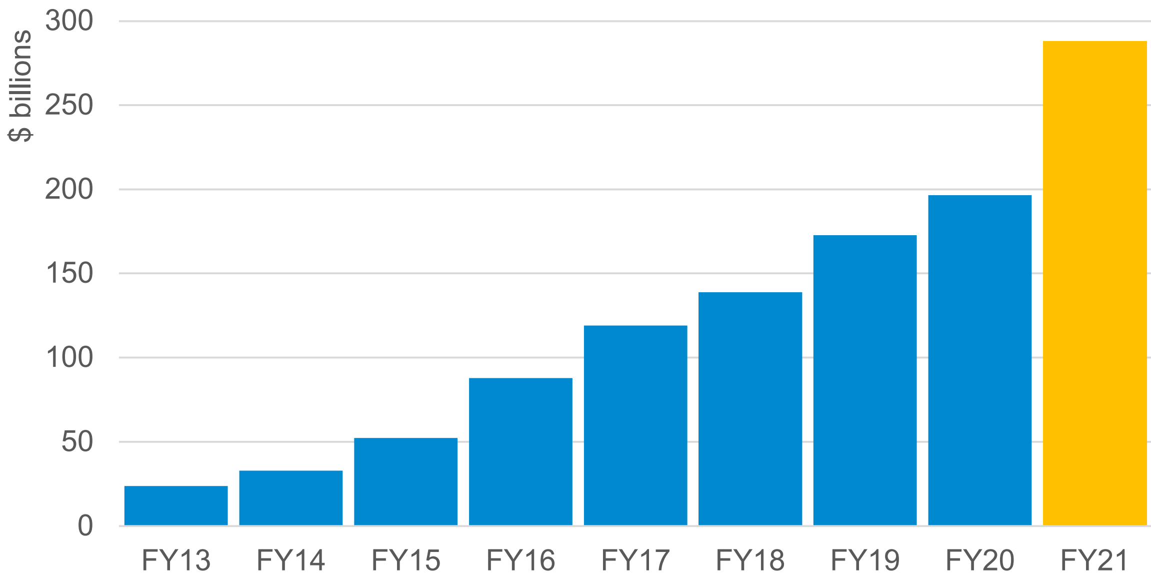
About Mainstream

> Mainstream Group Holdings Limited is a leading global fund administrator that is listed on the Australian Securities Exchange (ASX: MAI).

Formed in 2006, Mainstream employs 349 people with operations in Australia, Singapore, Hong Kong, the United States, the Isle of Man, Malta, Ireland and the Cayman Islands.

As at June 2021, the Group provides fund services to 1,416 funds (30 June 2020: 1,078) and more than 184,000 investors with assets under administration of AUD $287.8 billion (30 June 2020: $196.6 billion).

Mainstream's Funds under Administration (FuA) to 30 June 2021



Chairman's Report

Letter from the Chairman

Welcome to Mainstream Group Holdings Limited's Annual Report for the year ended 30 June 2021.

I am pleased to report that the Group delivered a solid financial result despite the many unexpected challenges of the last year. We continued to build our global platform and capabilities in order to take advantage of the significant growth opportunities in our core markets.

We have delivered revenue consistent with expectations and while our earnings have been impacted by one-off transaction costs, underlying operational earnings are consistent with our past growth rates.

Mainstream is a business where more than 90% of revenue recurs via long term contracts with our clients for essential fund services. Our fees are diversified, generally a combination of minimum fees or basis points, transactions processed and the number of investors. So too are our clients, spread across traditional asset classes, alternative assets and private equity. The benefits of this diversity can be seen in the resilience of our operating model and financial results.

New business demand remains strong, with fund launches above expectations in our core markets. We also continue to be encouraged by the high level of interest in our solutions for large fund managers.

FY21 was the busiest year on record for our Board, with 30 Board meetings and 43 Committee meetings. The majority of these meetings were related to transaction activity. On 27 June 2021, Mainstream entered into a Scheme Implementation Deed with Apex Fund Holdings Australia Pty Limited and Apex Group Limited (together, "Apex"). On 4 August 2021 the Federal Court of Australia ("Court") made orders for Mainstream to convene a meeting of its shareholders ("Scheme Meeting") to consider a proposed scheme of arrangement under Part 5.1 of the *Corporations Act 2001* (Cth) ("Scheme"). The Court also approved the distribution of an explanatory statement providing information about the Scheme and notice of Scheme Meeting to shareholders. The Scheme Meeting is currently scheduled for 6 October 2021.

I would like to thank our CEO Martin Smith, our employees and my fellow Board directors for their ongoing hard work and support. The Group has continued to adapt to the changing operating environment.

In closing, the Company is on track to continue to benefit from the trend to outsourcing and the Board remains confident in its growth plans.

Byram Johnston OAM
Non-Executive Chairman

Directors' Report

The Directors of Mainstream Group Holdings Limited (the "Company", "Mainstream" or the "Group") present their report, together with the financial report of the Company and its controlled entities (the "Group"), for the year ended 30 June 2021.

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
Non-Executive Chairman, Mainstream Group

Byram is a founder and Non-Executive Chairman of Mainstream Group. Byram is a member of the Audit and Risk Committee, the Remuneration and Human Resources Committee and the Acquisitions Committee.

Byram is also a director of a number of Mainstream's wholly owned subsidiaries including Mainstream Fund Services Pty Ltd, Mainstream Fund Services Pte. Ltd. (Singapore), Mainstream Fund Services (HK) Limited, Mainstream Fund Services (Ireland) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Cayman) Limited, Mainstream Superannuation Services Pty Ltd and Mainstream Fund Services (IOM) Limited. Byram transitioned from Executive Chairman to Non-Executive in October 2018.

Byram has more than 45 years of professional experience including 30 years as a management consultant. Prior to establishing Mainstream Group, he 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.

Byram was previously Chairman of ASX listed companies Greencap Ltd and Powerland Ltd and is a former Chairman of ASIC's Audit Committee.

Byram holds a Bachelor of Economics and is a Fellow of the Institute of Chartered Accountants. He was President of the Institute of Chartered Accountants from 1995 to1996. Byram was awarded an Order of Australia Medal in 2004 for service to Australian motor sport, to the community as a fundraiser, and to the accountancy profession.

Martin Smith
Chief Executive Officer, Mainstream Group

Martin is a founder, Group CEO and Director of Mainstream Group. He is also a member of the Acquisitions Committee.

Prior to being appointed as Group CEO in 2018, Martin was head of the Fund Services business since 2006.

Martin is a director of a number of Mainstream's wholly owned subsidiaries including Mainstream Fund Services Pty Ltd, Mainstream Fund Services Pte. Ltd. (Singapore), Mainstream Fund Services (HK) Limited, Mainstream Fund Services (Ireland) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Cayman) Limited, Mainstream Superannuation Services Pty Ltd, Fundadministration, Inc, Mainstream PE Services, Inc and Mainstream Fund Services (IOM) Limited.

Martin has over 25 years of accounting, consulting and business leadership experience, more than 18 of which have been in fund administration.

Prior to Mainstream Group, Martin worked for FinancialBPO, The IQ Business Group and Arthur Andersen designing, implementing and managing outsourcing / shared services arrangements across a range of industries.

Martin holds a Bachelor of Business, Masters of Commerce and is a Certified Practising Accountant.

Directors' Report continued

Name of Directors	Qualifications, experience and special responsibilities
John Plummer Non-Executive Director 	John joined the Board on 1 July 2015. He is the Chair of the Remuneration and Human Resources Committee and a member of the Audit and Risk Committee. 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 superannuation 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, a Fellow of the Governance Institute of Australia and a Chartered Governance Professional. He holds a Bachelor of Commerce (Marketing) from the University of New South Wales and a Masters of Business Administration from Macquarie University.
JoAnna Fisher Non-Executive Director 	JoAnna joined the Board on 1 May 2018. She is Chair of the Acquisitions Committee and a member of the Remuneration and Human Resources Committee. JoAnna has more than 20 years of senior management experience in funds management, capital markets and wholesale banking both in Australia and overseas. Her commercial experience includes serving as General Manager of Corporate Bank at Commonwealth Bank and Senior Vice President at Bankers Trust in Japan, New York and Sydney. JoAnna is currently Non-Executive Chair and Director of Morphic Ethical Equity Fund. She has been a member of the Australian Catholic Superannuation and Retirement Fund's Investment Committee since 2014, and a member of the Finance and Risk Management Committee at the Australian Chamber Orchestra since 2013. She also served as Non-Executive Director Quantum Funds Management from 2006 to 2018. JoAnna holds a Bachelor of Economics (Accounting) and Bachelor of Arts (Asian Studies) from the Australian National University and is a graduated member of the Australian Institute of Company Directors.
Debbie Last Non-Executive Director 	Debbie joined the Board on 1 July 2019 and is the Chair of the Audit and Risk Committee. Debbie has over 25 years of experience in the financial services sector. She has held senior executive positions including CFO of NAB Asset Management and director of a number of related entities. Debbie was also a Partner of PwC Sydney and KPMG London. She is currently Chief Financial Officer and Director of Corporate Services of St Vincent's Health Network Sydney. Debbie holds a Bachelor of Commerce from the University of Melbourne and is a Chartered Accountant.

Board Committees

To assist it in undertaking its duties, the Board has established the following standing committees:
- the Audit and Risk Committee;
- the Remuneration and Human Resources Committee; and
- the Acquisitions Committee.

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 2020 to 30 June 2021 are set out below.

Company Secretary

Alicia Gill joined Mainstream in 2014 and 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 Nomura Securities and Macquarie Bank. Alicia holds a Bachelor of Business from the University of Technology, Sydney and a Diploma of Investor Relations from the Australasian Investor Relations Association.

Directors' Meetings

The number of meetings of the Board and Board Committees held during the year ended 30 June 2021 and the number of those meetings attended by each Director is set out below:

Director	Board		Audit and Risk Committee		Remuneration and Human Resources Committee		Acquisitions Committee	
	Held while a Director	Attended	Held while a member	Attended	Held while a member	Attended	Held while a member	Attended
Byram Johnston OAM	30	30	6	6	4	4	33	33
Martin Smith	30	29	-	-	-	-	33	29
John Plummer	30	30	6	6	4	4	-	-
JoAnna Fisher	30	30	-	-	4	4	33	33
Debbie Last	30	25	6	6	-	-	-	-

Directors' Report continued

Interests in the shares and options of the Company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares of Mainstream Group Holdings Limited were:

Director	Direct Shares	Indirect Shares[1]	ESP Performance Rights (subject to vesting)	Total Interests
Byram Johnston OAM	652,960	12,963,705	-	13,616,665
Martin Smith	1,383,510	13,882,856	858,334	16,124,700
John Plummer	9,653,591	-	-	9,653,591
JoAnna Fisher	170,004	-	-	170,004
Debbie Last	-	-	-	-
Total	**11,860,065**	**26,846,561**	**858,334**	**39,564,960**

Dividends

Dividends paid by the Company during the financial year were:

	Cents Per share	Total amount	Franking level	Corporate tax rate for imputation purposes	DRP participation rate	Shares issued under DRP	Date of payment
Final 2020	1.0	$1,318,419	50%	30.0%	-	-	14 October 2020

Principal activities

The Group provides a full suite of services to the wealth management sector to address their middle and back office needs. Services include investment administration, fund accounting, custody, unit registry (transfer agency), middle office and corporate services.

The Group's global operations focus on the following three regions:

- Asia-Pacific (Australia, Hong Kong and Singapore)
- Americas (USA and Cayman Islands)
- Europe (Ireland, Malta and the Isle of Man)

The majority of revenue is recurring in nature via long term contracts for services essential to running an investment manager's back office. Clients are diversified across different asset classes and the majority are contracted for two or more Mainstream services. Depending on the particular contract, fees are largely fixed; typically, a minimum administration fee, fixed fees per investor and per transaction and a variable fee based on funds under management apply.

There was no significant change in Mainstream's activities during the year.

Review of financial results and operations

Financial performance

The total comprehensive (loss)/income net of tax decreased by 2,561% to a $11,738,723 loss (FY20: $476,910 profit). The (loss)/profit for the Group after income tax decreased by 2,162% to a $11,256,184 loss (FY20: $545,761 profit). Total revenue increased 18% to $65,553,805 (FY20: $55,352,614).

The Group is in a strong financial position with a solid balance sheet and at 30 June 2021 reported $13,020,589 of cash and cash equivalents (FY20: $14,739,742) and Net Assets of $32,225,416 (FY20: $36,933,740).

[1] Indirect shares include Director related entities.

Regional performance

Asia-Pacific ("APAC"), which includes Australia, Singapore and Hong Kong, contributed 73% of the Group's revenue during FY21 (FY20: 72%). Custodial services were a key growth area, with funds under custody growing 88% to $18.5 billion in the year ended 30 June 2021 and $1.5 million (2%) of revenue sourced from interest income on custodial accounts and deposits (FY20: $2.2 million, 4%). The Australian Fund Services business onboarded a major client with $31 billion in funds under management during the period, reflecting Mainstream's ongoing investment in enterprise solutions for large fund managers.

The Americas (USA and Cayman Islands) accounted for 20% (FY20: 19%) of revenue, driven by the US private equity business which now administers A$25.8 billion in assets, up 138% on the prior year. Europe (Ireland, the Isle of Man and Malta) contributed 7% of revenue (FY20: 9%).

Our clients

Funds under Administration grew to a record $287.9 billion as at 30 June 2021. This represented an increase of 46% on the prior 12 months, reflecting the quality of Mainstream's clients. Rising global stock markets contributed 22% and net inflows[2] 78% of the $91.3 billion increase over the period.

Mainstream's clients are diversified across different markets and asset classes. Mainstream now administers 1,416 funds for 380 clients as at 30 June 2021 (30 June 2020: 1,078 funds for 350 clients). Mainstream continues to onboard new funds in key markets while seeing consolidation of fund managers who lack scale, performance or distribution.

Clients are diversified across alternative asset classes (52% of clients), traditional fund managers (26%), private equity (19%) and superannuation funds (2%). This diversity provides variation in Mainstream's exposure to market conditions which is important during volatile markets.

Mainstream continued to cross-sell services to clients, with 71% of clients using two or more Mainstream services, up from 64% in FY20.

Our people

Global headcount grew to 349 people as at 30 June 2021 (compared to 272 people as at 30 June 2020). This included the recruitment of 27 additional unit registry employees to support growth in our Australian operations.

Our people continued to demonstrate commitment and dedication in adapting to new ways of working during the ongoing COVID-19 pandemic. Employees were able to work remotely as required without impacting client deliverables.

Investment in technology and operations

In line with strategy, Mainstream made a number of investments in our future growth this financial year. The Group expects to see the benefits of these investments in FY21 and beyond.

We continue to focus on client demand for digital service delivery and automation and alleviation of margin pressures through straight-through processing. Consequently, Mainstream invested $12.4 million on data, technology and automation during the period (FY20: $10.3 million). $1.9 million of IT costs were capitalised, with the remainder invested in market leading digital and automation projects. Three key projects were:

- Quoted Fund project, which contributed to a 68% increase in the number of investors serviced by Mainstream during the first six months of the reporting period, to 157,066 investors, and encompassed operational readiness, a proxy voting portal and enhancements to corporate actions, portfolio composition file, performance fees, distribution processing and online updates to contact details.

- Investor online transacting and account updates went live for a pilot group of three Australian clients and will be rolled out to further clients on request. This digital functionality allows investors to manage their own account, removing unnecessary paperwork and manual processes.

- Process transformation in preparation for the outsourcing of a key client's registry services to Mainstream, which will include deployment of automated workflow for email and paper transactions, automation of daily processes

[2] Net inflows refers to applications and new clients less redemptions, cash distributions and any lost clients.

(such as distributions and unit price uploads), online transacting, automation of reporting, Calastone and banking automation, leading to 88% daily automation on average. The transition went live in February 2021.

Corporate activity

Mainstream incurred significant costs during the period in relation to preparing the proposed Scheme with Apex, earlier proposed schemes of arrangement with Vistra Group and SS&C (discussed further below). Transaction costs of $6.7 million included break fees, legal expenses, due diligence, negotiations and provision of information to Apex and other interested parties, engagement of an independent expert and preparation of the Scheme Booklet.

US Settlement

On 26 February 2021, Mainstream paid US$3.95 million ("US Settlement") as part of a confidential settlement agreement between Mainstream's US hedge fund administration subsidiary and a US District Court appointed receiver of a legacy client acquired by the Group in September 2016. The settlement was on a no admission of liability basis with no further recourse against any Mainstream entity. The matter did not involve legal proceedings against the US subsidiary.

Debt position

The US Settlement was funded by a $4 million increase to Mainstream's existing debt facility agreement. The Company made a $1 million voluntary repayment to its debt facility agreement on 29 September 2020 and a further $2 million was repaid on 31 March 2021. $2 million is repayable on 31 August 2021 with the balance due on 12 January 2022 or upon change of control of Mainstream.

As at the date of this report, Mainstream's outstanding facility balance is $7 million. Mainstream and its subsidiaries maintain a net cash position in excess of its regulatory capital requirements.

Outlook

New business demand remains buoyant, with fund launches still proceeding in the COVID market environment. The Company expects to continue to benefit from the trend to outsourcing driven by growing regulation and operational complexity.

Significant changes in the state of affairs

On 9 March 2021 Mainstream signed a Scheme Implementation Deed ("SID") with Vistra Holdings (Australia) Limited and Vistra Group Holdings (BVI) Limited (together, "Vistra") ("Vistra SID") and then engaged in a 5 week "Go Shop Period" to fully and fairly market test the $1.20 cash scheme consideration offered by Vistra under the terms of the Vistra SID. On 12 April 2021, Mainstream terminated the Vistra SID, triggering a $1.708 million break fee payable to Vistra, and entered into a SID with SS&C Solutions Pty Ltd and SS&C Technologies, Inc (together, "SS&C") ("SS&C SID").

On 28 June 2021, Mainstream terminated the SS&C SID, triggering a $3.7 million break fee payable to SS&C ("SS&C Break Fee"), and signed a SID with Apex Fund Holdings Australia Pty Limited and Apex Group Limited (together, "Apex") by way of share scheme of arrangement for $2.80 cash per share ("Scheme"). Apex Fund Services (Australia) Pty Ltd ("Apex Services") has agreed to advance the SS&C Break Fee to Mainstream with the consent of Mainstream's principal lender. The advance will be non-interest bearing.

A Scheme Booklet in relation to the Scheme was released to ASX on 5 August 2021 and copies were dispatched to shareholders on 17 August 2021. The Scheme Meeting is currently scheduled for 6 October 2021 (date subject to change), Shareholders should consult the Scheme Booklet for information in relation to the Scheme and details on how to vote at the Scheme Meeting.

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

Matters subsequent to the end of the financial year

Other than the above, the Directors are not aware of any matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

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 through its expansion strategy. Additional comments on expected results of operations of the Group are included in this report under the review of operations and financial results section above.

Environmental regulation
The Group is not subject to any significant climate change risks or 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 27 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 Group CEO 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 auditor, 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 21.

Remuneration Report

1. Introduction

This Remuneration Report outlines the remuneration arrangements of the Group for the year ended 30 June 2021. 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 Mainstream Group Holdings Limited.

The KMP for the Group for the year ended 30 June 2021 are set out below:

Name	Position	Term as KMP
Executive Directors		
Martin Smith	CEO, Mainstream Group Holdings Limited	Full Year
Executives		
Jay Maher	CEO, Americas	Full Year
Nicholas Happell	CEO, Asia-Pacific	Full Year
Andy Harrison	CEO, Australia	Full Year
John McCann	CEO, Europe and Cayman	1 July 2020 to 30 September 2020
Non-Executive Directors		
Byram Johnston OAM	Non-Executive Chairman	Full Year
John Plummer	Non-Executive Director	Full Year
Debbie Last	Non-Executive Director	Full Year
JoAnna Fisher	Non-Executive Director	Full Year

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*.

2. Remuneration Philosophy

The Group's remuneration philosophy is to attract, retain and motivate employees in order to build long term shareholder value.

The Board applies its remuneration philosophy through the following principles:
- Promoting employee behaviour that is in the best interests of clients and shareholders.
- Rewarding outperformance while maintaining the Group's reputation and mitigating risk.
- Remunerating employees appropriately, relative to local benchmarks, so they are attracted to and stay with Mainstream.
- Where feasible, awarding incentives in deferred equity, for strong alignment with shareholders.
- Assessing an individual's contribution against overall Group performance, with a higher weighting on performance-related pay for senior executives.
- Encouraging employees to think and act like long-term owners of the Group.

3. Remuneration and Human Resources Committee

The Remuneration and Human Resources Committee oversees the Group's remuneration framework and is responsible for making remuneration recommendations to the Board.

The current members of the Remuneration and Human Resources Committee are John Plummer (Chair), Byram Johnston OAM and JoAnna Fisher. Their qualifications and experience are set out in the Director's Report.

The Committee applies their oversight and judgement to make sure remuneration is aligned with individual and company-wide performance as well as outcomes for our shareholders and clients.

In reviewing KMP performance, the Committee conducts their evaluation based on criteria that includes company-wide business performance, individual performance, whether strategic objectives have been achieved and peer benchmarking.

4. Remuneration Structure

Fixed and performance-based remuneration

Broadly, remuneration is structured with the following components:

Fixed remuneration:	
Fixed remuneration	Fixed remuneration, including superannuation (where applicable). Employees without management or technical responsibilities generally have most, or all, of their remuneration fixed. More senior employees generally have a lower proportion of their total remuneration fixed.
Performance-based remuneration:	
Short term incentives (STIs)	› A variable short-term incentive that is discretionary. The Board maintains absolute discretion on the awarding of any STIs. › Generally awarded through share-based grants to provide strong alignment with shareholders. A small number of roles are eligible to receive cash incentives in line with sales targets or local market practices. › Individuals in key business roles are eligible to participate. › Based on achievement of performance conditions that are aligned to business outcomes. › Proportion of total remuneration can range from up to 100% for sales relationship staff and 5% to 50% for other roles, commensurate with level of responsibility and performance.
Long term incentives (LTIs)	› A variable long-term incentive that is discretionary. The Board maintains absolute discretion on the awarding of any LTIs. › Only awarded to executives and senior managers who are critical to the long-term growth of the business. › Rewarded through a share-based grant to provide strong alignment with shareholders. › Based on achievement of performance conditions that are aligned to business outcomes. › Proportion of total remuneration can be up to 100% to reward prudent risk taking and professional conduct.

5. How remuneration outcomes are determined

The Company operates its annual performance cycle from 1 October to 30 September, with the twelve-month period known as a Performance Year (PY).

As the Company's PY finishes three months after the end of the Company's financial year, the Share Based Payments discussed in this Report, and in Note 6 of the Financial Statements, largely relate to payments made in October 2020 for the Performance Year ended 30 September 2020 (PY20).

Performance outcomes for the current Performance Year, PY21, will be measured and paid after 30 September 2021.

The following table outlines how annual remuneration outcomes are determined. The Board has the discretion to change remuneration arrangements to meet changing market conditions or comply with regulatory and corporate governance developments.

Performance-based remuneration:	
Short term incentives (STIs)	› STIs generally have a one-year performance period followed by a one-year vesting period. › Performance measures are set for each individual, usually a combination of individual, business unit and company-wide indicators for the Performance Year. › Performance measures for the applicable Performance Year are assessed and an appropriate performance percentage is applied. A threshold gate applies to financial measures. › If performance measures are met for the Performance Year, share rights are usually granted on or around 1 October. › Share rights usually convert to fully paid ordinary shares after one year. › Share rights are subject to forfeiture during the vesting period if the employee leaves Mainstream, except in certain circumstances (such as retirement, redundancy, death or change of control). › Malus and clawback provisions apply in the event of a material financial or reputation event.
Long term incentives (LTIs)	› LTIs generally have a one-year performance period with a three-year vesting period. › Performance measures are set for each individual for the Performance Year. Performance measures for FY21 were the achievement of revenue and EBITDA targets, sound compliance and risk management and client / employee outcomes. › Performance measures for the applicable Performance Year are assessed and an appropriate performance percentage is applied. A threshold gate applies to financial measures. › If performance measures are met for the Performance Year, share rights are usually granted on or around 1 October. › Share rights usually convert to fully paid ordinary shares in three equal tranches over three years. The performance measures are not re-tested during the vesting period. › Share rights are subject to forfeiture during the vesting period if the employee leaves Mainstream, except in certain circumstances (such as retirement, redundancy, death or change of control). › Malus and clawback provisions apply in the event of a material financial or reputation event.

6. Remuneration outcomes for PY20

6.1 Performance-based remuneration outcomes

The following table details how PY20 performance-based remuneration outcomes paid during FY21 were determined.

Short term incentives (STIs)

- Subject to adjustment for individual performance, employees with sales based targets for PY20 were awarded 88% of their target STI and other employees were awarded their STI at varying rates of their targets as some financial results were below target. As a result, 603,935 performance rights were granted under the Company's 2020 STI program on 1 October 2020.
- 1,563,955 performance rights from the Company's 2019 STI program vested into shares on 1 October 2020. A further 3,100,000 shared vested under the US Private Equity ("US PE") business' Revenue Share Offer, of which 1,250,000 are subject to a holding lock until 1 October 2021.

Long term incentives (LTIs)

- Some APAC executives were awarded 347,172 performance rights on 1 October 2020, being an average 36% of their PY20 LTI targets. These rights vest equally in three tranches. The first tranche, due to vest on 1 October 2020 was deferred to 1 October 2021, pending further performance outcome testing. A further two tranches vest on 1 October 2021 and 1 October 2022.
- 250,000 LTIs were awarded on 1 October 2020 for achievement of sales targets in building out the US PE business. The first tranche of 83,333 rights vested and were granted on 1 October 2020. A further two tranches vest on 1 October 2021 and 1 October 2022.
- The following securities were issued under the LTI program during PY20 following approval to issue the securities under ASX Listing Rule 10:14:

Director	Performance Year (PY) and tranche	Vesting date	Shares issued
Martin Smith	LTI PY19 (Tranche 2)	1/10/2020	108,333

- In PY20, the CEO, Martin Smith, was granted 500,000 performance rights which were subject to performance measures as assessed by the Board as follows:

CEO PY20 performance indicators	Weighting	Assessment Outcome	Number of performance rights
Achievement of 'stretch target' financials for FY20:	70%	20%	100,000
Delivery of key strategic projects relating to global business, acquisitions and technology	15%	15%	75,000
Compliance, retention and business risk management	15%	15%	75,000
Total	**100%**	**50%**	**250,000**

› Mr Smith's remaining 858,334 performance rights convert into fully paid ordinary shares over the following vesting schedule:

	Vesting date			Total perf. rights
Incentive	**1 Oct 2019**	**1 Oct 2020**	**1 Oct 2021**	
LTI PY19 (tranche 3)			108,334	**108,334**
	1 Oct 2020	**1 Oct 2021**	**1 Oct 2022**	
LTI PY20 (tranche 1)		83,333[3]		
LTI PY20 (tranche 2)		83,333		
LTI PY20 (tranche 3)			83,334	**250,000**
	1 Oct 2021	**1 Oct 2022**	**1 Oct 2023**	
LTI PY21	Performance outcomes have not been finalised as at the date of this report.			**500,000**

6.2 Legacy award programs

The following table shows the outcomes of share based offers from prior performance periods that vested during FY21.

Legacy award programs

Senior Management Share Offer (SMSO)

› In prior performance years, Executive Directors participated in the SMSO, now known as the LTI program. SMSO participants were awarded performance rights that entitled the holder to be issued one share for each performance right, should agree financial and non-financial performance conditions be met, over a three-year vesting period. Performance conditions are not re-tested during the vesting period.

› The SMSO is now closed for any further invitations and the final unvested tranches granted to Executive Directors in prior periods vested during FY21.

› The following securities were issued under the SMSO during FY21 following approval to issue the securities under ASX Listing Rule 10:14:

Director	Performance Year (PY) and tranche	Vesting date	Shares issued
Byram Johnston OAM[4]	SMSO PY18 (Tranche 3)	1/10/2020	37,500
Martin Smith	SMSO PY18 (Tranche 3)	1/10/2020	113,333

[3] Vesting was deferred from 1 October 2020 to 1 October 2021 pending further performance outcome testing.
[4] These securities were granted to Mr Johnston during his service as an Executive Director, subject to vesting conditions. Mr Johnston transitioned from an Executive Director to a Non-Executive Director on 1 October 2018.

Employee Share Offer (ESO)	›	In prior performance years permanent employees were invited to opt in to receive up to $2,000 share rights for nil consideration as a discretionary employee benefit.
	›	On 1 October 2020 318,720 performance rights vested into shares under the Company's 2019 ESO program.

7. Non-Executive Remuneration Disclosures

The annual aggregate of Directors' fees in relation to their duties as a Director is currently capped at $500,000. The Board does not propose to seek an increase to the aggregate Directors' fee pool limit at the next AGM.

The table below summarises the Board and Committee fees payable to Directors for 2021 and planned fees for 2022:

Role	FY21	FY22
Non-Executive Chairman	$240,000	$240,000
Non-Executive Director	$50,000	$50,000
Chair, Remuneration and Human Resources Committee	$10,000	$10,000
Chair, Audit and Risk Committee	$30,000	$30,000
Chair, Acquisitions Committee	$10,000	$10,000
Member, licensed subsidiary board[5]	$10,000	$10,000

The table below outlines the annual remuneration arrangements for all Non-Executive Directors in 2021 and planned fees for 2022. The fees shown include fees paid as members of both Group and subsidiary Boards:

Non-Executive Director	FY21	FY22
Byram Johnston OAM	$300,000	$300,000
John Plummer	$60,000	$60,000
JoAnna Fisher	$60,000	$60,000
Debbie Last	$80,000	$80,000
Total Remuneration – Non-Executive Directors	**$500,000**	**$500,000**

[5] One or more Group Directors are appointed to the boards of each of the Group's main wholly owned subsidiaries to provide Group oversight, governance and risk management. Group Directors receive $10,000 per annum in additional fees/remuneration for each licensed subsidiary of which they are a Director. Byram Johnston OAM and Martin Smith are currently Directors of the following licensed subsidiaries: Mainstream Fund Services (Cayman) Limited, Mainstream Fund Services (IOM) Limited, Mainstream Fund Services (Malta) Limited, Mainstream Fund Services (Ireland) Limited, Mainstream Fund Services Pty Ltd and Mainstream Superannuation Services Pty Ltd.

8. Additional disclosures

8.1 Details of remuneration paid to KMP

Remuneration amounts for KMP of the Company for the year ended 30 June 2021 are detailed below:

Remuneration expense during the year ended 30 June 2021

	Short term benefits		Post-Employment	Long-term benefits	Share-based payments	Total Remuneration
	Salary & fees	Other Benefits[6]	Super-annuation (or equivalent)	Long Service Leave	Incentive	
	$	$	$	$	$	$
Non-Executive Directors						
Byram Johnston OAM	299,994	-	-	-	-	299,994
John Plummer	54,795	-	5,205	-	-	60,000
Debbie Last[7]	108,060	-	6,940	-	-	115,000
JoAnna Fisher[7]	180,000	-	-	-	-	180,000
Executive Director						
Martin Smith	625,056	-	21,694	46,874	298,478	992,102
Executives						
Jay Maher	518,209	24,701	-	-	5,377,413	5,920,323
Nicholas Happell	290,638	-	21,694	35,415	184,983	532,730
Andrew Harrison[8]	408,306	-	21,694	-	142,179	572,179
John McCann[9]	161,218	-	8,061	-	-	169,279
TOTAL KMP	**2,646,276**	**24,701**	**85,288**	**82,289**	**6,003,053**	**8,841,607**

[6] Other benefits may include non-cash items such as motor vehicle and mobile phone allowances.
[7] Special Exertion Fees were awarded to Debbie Last of $35,000 and JoAnna Fisher of $120,000 in relation to transaction activities. These will be paid in the following financial year. In accordance with ASX Listing rule 10.17 and clause 6.5(f) of the Company's Constitution, these Directors' fees were separate from and additional to their existing Directors' fees for their duties as Directors.
[8] Andrew Harrison become a KMP on 1 July 2020.
[9] John McCann ceased to be a KMP on 30 September 2020.

Remuneration expense during the year ended 30 June 2020

	Short term benefits		Post-Employment	Long-term benefits	Share-based payments	Total Remuneration
	Salary & fees	Other Benefits[10]	Super-annuation (or equivalent)	Long Service Leave	Incentive	
	$	$	$	$	$	$
Non-Executive Directors						
Byram Johnston OAM	271,647	-	-	-	(10,628)	261,019
John Plummer	50,685	-	4,815	-	-	55,500
Debbie Last[11]	122,374	-	11,626	-	-	134,000
JoAnna Fisher[11]	107,343	-	8,157	-	-	115,500
Executive Directors						
Martin Smith	543,366	-	21,003	-	156,588	720,957
Executives						
Jay Maher[12]	224,881	15,316	-	-	475,000	715,197
Denise DePaola[13]	300,377	287,350[14]	4,356	-	(163,876)	428,207
Nicholas Happell	225,559	-	20,598	3,931	79,186	329,274
John McCann[15]	533,170	-	24,844	-	-	558,014
TOTAL KMP	**2,379,402**	**302,666**	**95,399**	**3,931**	**536,270**	**3,317,668**

[10] Other benefits may include non-cash items such as motor vehicle and mobile phone allowances.
[11] JoAnna Fisher and Debbie Last were each paid additional fee of $40,000 during FY20. In accordance with ASX Listing rule 10.17 and clause 6.5(f) of the Company's Constitution, these Directors' fees were separate from and additional to their existing Directors' fees for their duties as Directors.
[12] Jay Maher became a KMP on 1 February 2020.
[13] Denise DePaola ceased to be a KMP on 1 February 2020.
[14] Amounts accrued as share based payments agreed to be settled as a one-off USD $115,000 cash bonus.
[15] John McCann ceased to be a KMP on 30 September 2020.

8.2 *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	Contract term	End date	Resignation notice period	Termination without cause	Restraint on soliciting employees and clients	Restraint on non-compete	Termination Payments
Martin Smith	CEO, Group	3 years	30 Apr 2023	6 months	6 months	12 months	12 months	Nil
Jay Maher	CEO, Americas	4 years	30 Sep 2022	6 months	6 months	12 months	12 months	Nil
Nick Happell	CEO, Asia-Pacific	Ongoing	N/A	3 months	3 months	12 months	12 months	Nil
Andrew Harrison	CEO, Australia	Ongoing	N/A	6 months	6 months	12 months	12 months	Nil

8.3 *Service agreements*

The terms and conditions of Non-Executive Director appointments, including remuneration arrangements, are formalised in service agreements. The following outlines the details of service agreements with Non-Executive Directors:

Service agreements

Name	Position	Term of appointment[16]	Termination notice period
Byram Johnston OAM	Non-Executive Chairman	3 years	3 months
John Plummer	Non-Executive Director	3 years	4 weeks
JoAnna Fisher	Non-Executive Director	3 years	4 weeks
Debbie Last	Non-Executive Director	3 years	4 weeks

[16] Term of appointment is maximum term which could be reduced if the Director is not re-elected by shareholders of the Group.

Remuneration Report continued

8.4 Directors' Shareholdings

The number of direct and indirect shares held during the year to 30 June 2021 by each Director is set out on page 7 of the Directors' Report.

Signed in accordance with a resolution of the Directors:

Byram Johnston OAM
Non-Executive Chairman

Date: 27 August 2021
Sydney

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Mainstream Group Holdings Limited

As lead auditor for the audit of Mainstream Group Holdings Limited for the financial year ended 30 June 2021, 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 Mainstream Group Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Jonathan Pye
Partner
27 August 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated 2021	2020
		$	$
Revenue			
Fee income from contracts with customers		60,226,952	50,227,684
Other operating income		3,772,098	2,861,106
Interest income		1,554,755	2,263,824
Total revenue	5	**65,553,805**	**55,352,614**
Expenses			
Employee benefits expense		34,491,617	32,371,031
IT support, expenses and data		10,529,590	8,206,112
Accounting and audit fees		1,089,393	1,013,520
Bank fees and charges		213,554	257,257
Insurance		789,466	532,751
Interest expense		469,163	501,961
Legal fees		5,918,863	711,293
Consulting fees		205,247	154,562
Occupancy and overheads		1,071,492	977,195
Transaction costs		6,664,368	777,266
Travel and accommodation		23,115	326,147
Marketing and advertising		195,634	319,987
General and other expenses		1,117,823	493,288
Share-based payments expense	6	7,923,150	1,733,964
Depreciation expense	11,18	4,283,432	3,858,031
Amortisation expense	12	1,533,058	1,537,253
Total expenses		**76,518,965**	**53,771,618**
(Loss) / Profit before income tax expense		**(10,965,160)**	**1,580,996**
Income tax expense	7	291,024	1,035,235
(Loss) / Profit after income tax expense		**(11,256,184)**	**545,761**
Other comprehensive loss			
Exchange differences on translation of foreign subsidiaries		(482,539)	(68,851)
Other comprehensive loss for the year, net of tax		**(482,539)**	**(68,851)**
Total comprehensive (loss) / income for the year		**(11,738,723)**	**476,910**
Earnings per share (EPS):			
Basic earnings per share	4	$(0.0825)	$0.0042
Diluted earnings per share	4	$(0.0825)	$0.0040

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 2021

	Note	2021 $	2020 $
Assets			
Current Assets			
Cash and cash equivalents	8(a)	13,020,589	14,739,742
Trade and other receivables	9	10,910,544	8,378,330
Other current assets	10	4,092,801	2,628,069
Total Current Assets		**28,023,934**	**25,746,141**
Non-Current Assets			
Property, plant and equipment	11	6,635,549	6,446,549
Right of use assets	18	4,021,496	4,927,189
Intangible assets	12	18,978,114	20,494,092
Deferred tax assets	7(b)	3,804,799	2,311,177
Total Non-Current Assets		**33,439,958**	**34,179,007**
Total Assets		**61,463,892**	**59,925,148**
Liabilities			
Current Liabilities			
Trade creditors and accrued expenses	13	8,179,598	2,974,531
Provision for employee benefits	14	1,740,452	1,234,274
Current income tax liabilities		1,816,902	1,015,892
Deferred consideration	15	-	425,668
Other interest-bearing liabilities	16	7,598,393	351,976
Lease liabilities	18	1,354,785	2,249,965
Other current liabilities	17	3,186,647	3,011,364
Total Current Liabilities		**23,876,777**	**11,263,670**
Non-Current Liabilities			
Provision for employee benefits	14	179,374	114,186
Other interest-bearing liabilities	16	-	5,937,655
Lease liabilities	18	3,037,686	3,107,603
Deferred tax liabilities	7(b)	2,144,639	2,568,294
Total Non-Current Liabilities		**5,361,699**	**11,727,738**
Total Liabilities		**29,238,476**	**22,991,408**
Net Assets		**32,225,416**	**36,933,740**
Equity			
Contributed capital	19	40,070,661	35,811,622
Reserves	20	7,228,568	3,539,747
Retained losses		(15,073,813)	(2,417,629)
Total Equity		**32,225,416**	**36,933,740**

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 2021

	Contributed Capital $	Reserves $	Retained Earnings $	Total Equity $
CONSOLIDATED				
Balance at 1 July 2019	**34,391,456**	**2,144,333**	**(1,436,746)**	**35,099,043**
Effect for Adoption of AASB 16 Leases	-	-	*(256,644)*	*(256,644)*
Balance at 1 July 2019 (restated note 2)	**34,391,456**	**2,144,333**	**(1,693,390)**	**34,842,399**
Profit after income tax expense	-	-	545,761	545,761
Other comprehensive income, net of tax	-	(68,851)	-	(68,851)
Total comprehensive income, net of tax	**-**	**(68,851)**	**545,761**	**476,910**
Transactions with owners in their capacity as owners:				
Dividends paid (Note 21)	-	(644,890)	-	(644,890)
Dividends reinvested	100,964	-	-	100,964
Shares issued under deferred considerations	424,393	-	-	424,393
Shares issued under Employee Share Plans	894,809	(894,809)	-	-
Share-based payments	-	1,733,964	-	1,733,964
Transfer to profit reserve	-	1,270,000	(1,270,000)	-
Balance at 30 June 2020	**35,811,622**	**3,539,747**	**(2,417,629)**	**36,933,740**
Balance at 1 July 2020	**35,811,622**	**3,539,747**	**(2,417,629)**	**36,933,740**
(Loss)/Profit after income tax expense	-	-	(11,256,184)	(11,256,184)
Other comprehensive income, net of tax	-	(482,539)	-	(482,539)
Total comprehensive (loss) / income, net of tax	**-**	**(482,539)**	**(11,256,184)**	**(11,738,723)**
Transactions with owners in their capacity as owners:				
Dividends paid (Note 21)	-	(1,318,419)	-	(1,318,419)
Dividends reinvested	-	-	-	-
Shares issued under deferred considerations	425,668	-	-	425,668
Shares issued under Employee Share Plans	3,833,371	(3,833,371)	-	-
Share-based payments	-	7,923,150	-	7,923,150
Transfer to profit reserve	-	1,400,000	(1,400,000)	**-**
Balance at 30 June 2021	**40,070,661**	**7,228,568**	**(15,073,813)**	**32,225,416**

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 2021

	Note	Consolidated 2021 $	Consolidated 2020 $
Cash flows from operating activities			
Income received		61,466,836	52,985,473
Operating expenses paid		(54,872,123)	(44,021,910)
Interest received		1,554,755	2,263,824
Interest paid		(356,652)	(407,188)
Income tax paid		(1,363,820)	(830,437)
Net cash inflow from operating activities	8(b)	**6,428,996**	**9,989,762**
Cash flows from investing activities			
Purchase of capitalised software and equipment	11	(2,323,974)	(2,527,662)
Proceeds from sale of equipment		5,524	1,364
Payment of deferred consideration and amounts owing to previous vendors		-	(397,126)
Net cash outflow from investing activities		**(2,318,450)**	**(2,923,424)**
Cash flows from financing activities			
Transaction costs paid		(2,877,789)	(581,006)
Payment of principal lease liabilities		(2,466,693)	(2,278,974)
Proceeds from interest bearing liabilities, net of fees		4,889,395	525,725
Repayment of interest bearing liabilities		(3,666,951)	(1,173,749)
Dividends paid		(1,318,419)	(543,925)
Net cash inflow from financing activities		**(5,440,457)**	**(4,051,929)**
Net increase in cash and cash equivalents during the year		(1,329,911)	3,014,409
Effects of exchange rate changes on cash and cash equivalents		(389,242)	48,575
Cash at the beginning of the year		14,739,742	11,676,758
Cash at the end of the year	8(a)	**13,020,589**	**14,739,742**

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

Notes to the Financial Statements

NOTE 1. CORPORATE INFORMATION

The consolidated financial statements of Mainstream Group Holdings Limited and its subsidiaries (collectively, "the Group") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 27 August 2021.

Mainstream Group Holdings Limited ("Mainstream", "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.

On 9 March 2021 Mainstream signed a Scheme Implementation Deed ("SID") with Vistra Holdings (Australia) Limited and Vistra Group Holdings (BVI) Limited (together, "Vistra") ("Vistra SID") and then engaged in a 5 week "Go Shop Period" to fully and fairly market test the $1.20 cash scheme consideration offered by Vistra under the terms of the Vistra SID. On 12 April 2021, Mainstream terminated the Vistra SID, triggering a $1.7 million break fee payable to Vistra, and entered into a SID with SS&C Solutions Pty Ltd and SS&C Technologies, Inc (together, "SS&C") ("SS&C SID").

On 28 June 2021, Mainstream terminated the SS&C SID, triggering a $3.7 million break fee payable to SS&C ("SS&C Break Fee"), and signed a Scheme Implementation Deed with Apex Fund Holdings Australia Pty Limited ("Apex") in connection with a share scheme of arrangement under which Apex would acquire all of the issued shares in Mainstream for $2.80 cash per share ("Scheme"). Apex Fund Services (Australia) Pty Ltd has agreed to advance the SS&C Break Fee to Mainstream with the consent of Mainstream's principal lender. The advance will be non-interest bearing.

During the year, transaction costs of $6.7 million recognised in the consolidated statement of profit or loss and other comprehensive income included the two break fees discussed above and other related legal expenses, due diligence, negotiations costs and costs for provision of information to Apex and other interested parties, engagement of an independent expert and preparation of the Scheme Booklet.

On 26 February 2021, Mainstream paid US$3.95 million ("US Settlement ") as part of a confidential settlement agreement between Mainstream's US hedge fund administration subsidiary and a US District Court appointed receiver of a legacy client acquired by the Group in September 2016. The settlement was on a no admission of liability basis with no further recourse against any Mainstream entity. The matter did not involve legal proceedings against the US subsidiary. The US Settlement and related legal fees are recorded under 'Legal fees' in the consolidated statement of profit or loss and other comprehensive amounting to $5.5 million.

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.

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in the consolidated financial report.

(b) NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision for configuration and customisation costs incurred related to a Software as a Service (SaaS) arrangement. The Group is currently assessing the impact of the agenda decision on its current accounting policy and whether an adjustment to capitalised intangibles may be necessary. Accordingly, a reliable estimate of the impact of the IFRIC agenda decision on the Group cannot be made at the date of this report. The Group expects to complete the implementation of the above IFRIC agenda decision as part of its 31 December 2021 half-year reporting.

The Australian and International Accounting Standards issued but not yet mandatory for the 30 June 2021 reporting year have not been adopted by the Group in the preparation of this annual financial report.

Several amendments and interpretations applied for the first time in 2021, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations, or amendments that have been issued but are not yet effective.

(c) ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

New and amended Australian and International Accounting Standards issued but not yet mandatory for the 30 June reporting period are disclosed below. The Group intends to adopt these standards, as applicable, when they become effective.

Amendments to AASB 101: Classification of Liabilities as Current or Non-current

In January 2020, the AASB issued amendments to paragraphs 69 to 76 of AASB 101 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing impacts the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – Amendments to AASB 3

In May 2020, the AASB issued Amendments to AASB 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of AASB 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of AASB 137 or IFRIC 21 Levies, if incurred separately.

At the same time, the Board decided to clarify existing guidance in AASB 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The Group is currently assessing impacts the amendments will have on current practice

Other amendments that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

(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 28.

(e) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Mainstream Group Holdings Limited ("Mainstream Group") as at 30 June 2021 and the results of all subsidiaries for the year that ended. Mainstream Group 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 2021. 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 holding the majority of voting rights results in control. To support this presumption, and when the Group has less than the 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 during the process of 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 Mainstream'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.

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 the foreign currency translation reserve.

Foreign operations

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

The Group is in the business of providing fund administration and custodian services. Revenue from contracts with customers is recognised when services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Revenue is measured at the fair value of the consideration received or receivable.

Fee income

Fee income arises from providing fund administration and custodian services, which are typically based on funds under management, the number of transactions processed and number of investors or members. Fee income is recognised in line with the actual service provided to the end of the reporting period. This is determined based on the actual fund value, numbers of transactions and numbers of investors etc.

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 operating income

Other operating income includes out of pocket expense recovery and other income derived from activities unrelated to the main business. It is recognised when it is received or when the right to receive payment is established.

(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 entity's which intend to settle simultaneously.

Mainstream Group 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).

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.

Tax losses of subsidiaries in foreign jurisdictions are recognised only if it is probable that future taxable amounts will be available to utilise those amounts and as such are assessed on a case by case basis. Where a tax loss arises in a foreign subsidiary and a deferred tax asset is recognised at the respective local tax rate.

(i) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and 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

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for 'expected credit loss' ("ECL"). Trade receivables are generally due for settlement within 30 days.

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

The Group applies the simplified approach and records lifetime expected losses on all eligible financial assets. If the general model is applied, expected credit losses on financial assets are recorded either on a 12-month or lifetime basis. The Group considers a financial asset is in default when contractual payments are 90 days past due or when information indicates that the Group is unlikely to receive the outstanding amount in full. However, when internal or external information indicates an outstanding amount is likely to be received, the Group may not consider a financial asset to be in default.

(k) PROPERTY, PLANT AND EQUIPMENT

Property, 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

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,

- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as assets and amortised from the point at which the asset is ready for use. The carrying amount of capitalised software is disclosed in note 11.

Software support and maintenance which are recognised as expense as incurred are recorded under 'IT support, expenses and data' in the consolidated statement of profit or loss and other comprehensive income.

(I) LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US$5,000). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

(m) 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. An asset is regarded as having an indefinite useful life when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. 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. The useful lives of intangible assets are assessed as either finite or indefinite.

Goodwill

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 the assets acquired and all 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 (4 or 15 years) are measured at cost less amortisation and any impairment.

Impairment of non-financial assets

All non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where an indicator or objective evidence of impairment exists, an estimate of the asset's recoverable amount is made. An impairment loss is recognised in the profit or loss 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.

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.

For the year ended 30 June 2020, there was a change in assessment of the remaining useful life of intangible assets for Mainstream Superannuation Services Pty Ltd, Mainstream Fund Services (Malta) Limited and

Mainstream Fund Services Limited (IOM) to 4 years. This is in response to structural changes in the superannuation industry, existing contract maturity dates across these entities and provides more flexibility in the execution of the entity's strategy in response to changing market conditions.

(n) 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.

(o) 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 16 for further details on the interest-bearing loan.

(p) 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, considering 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.

(q) 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.

(r) GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group has reasonably complied with all attached conditions.

As at 30 June 2021, the Group has recognised grants totalling $3,231,049 under the Australian Government's Apprenticeship and Trainee support program and incurred $647,030 in training costs in relation to the program. The Group has applied AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance* and recognised the grants in the consolidated statement of profit or loss and other comprehensive income as a benefit against ‘employee benefits expense’ in the period that they are intended to support. Training costs are recorded under ‘employee benefits expense’ in the consolidated statement of profit or loss and other comprehensive income. For these training grants, a total net benefit of $2,584,019 has been recognised for the year ended 30 June 2021. As at 30 June 2021, the Group also received grants totalling $193,616 under the Singapore Job Support Scheme and Singapore Jobs Growth Incentive, $155,944 under the Hong Kong Employment Support Scheme and a $100,000 cash flow boost from the ATO. Other government rent waivers and incentives amounted to $101,908 for the year ended 30 June 2021.

Mainstream did not receive any payments under the Australian Government’s JobKeeper payment scheme for businesses significantly impacted by COVID-19.

(s) 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.

(t) DIVIDENDS

Dividends are recognised when declared during the financial year.

(u) 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 consider 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.

(v) 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 considers 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.

(w) 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.

(x) CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND ERRORS

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.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and response of governments in dealing with the pandemic has impacted the community and economy. The scale and duration of these developments remain uncertain as at the date of this report. It is difficult to estimate the ongoing impact of the pandemic or government responses on the effectiveness of internal controls, accounting estimates or forecasts. The methodology for estimates has not changed but the underlying inputs are less certain. Market volatility may impact basis point fees (linked to funds under administration) and custody income (linked to official cash rates). These were cushioned by higher cash balances and increased transaction fees from volatile trading conditions and the number of fund closures has, so far, been below our expectations. New business demand has proved buoyant, with fund launches still proceeding above expectations in our core markets. Our estimates have been prepared based upon conditions existing at the date of this report.

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 financial assets

The impairment of financial assets 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.

For trade receivables, the Group applies a simplified approach in calculating ECLs. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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. For intangible assets with a finite life the amortisation period is typically 15 years. For intangible assets in Mainstream Superannuation Services Pty Ltd, Mainstream Fund Services (Malta) Limited and Mainstream Fund Services (IOM) Limited the remaining finite life amortisation period was reassessed to 4 years in the financial year ended 30 June 2020. This is reviewed at least annually.

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 considers the most recent estimate.

NOTE 3. SEGMENT REPORTING

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 Services.
Based on the internal management structure, the Group is organised into business units based on geographic locations and has the following reportable segments:

- Asia-Pacific (APAC), which includes Australia, Singapore, Hong Kong;
- the Americas, which includes the USA and the Cayman Islands; and
- Europe, which includes Ireland, the Isle of Man and Malta.

2021	APAC $	Americas $	Europe $	Elimination[17] $	Consolidated $
Revenue					
External customers	48,152,142	13,334,307	4,067,356	-	65,553,805
Intercompany revenue	(132,106)	(8,544)	1,636,626	(1,495,976)	-
Intercompany dividends	3,775,577	-	-	(3,775,577)	-
Total revenue	**51,795,613**	**13,325,763**	**5,703,982**	**(5,271,553)**	**65,553,805**
Expenses					
Operating expenses	21,129,617	9,681,510	1,226,532	(331,709)	31,705,950
Employee benefits expenses	28,750,743	8,746,253	4,413,188	(1,170,468)	40,739,716
Impairment of trade receivables	397,486	79,819	-	-	477,305
Depreciation and amortisation	3,163,026	243,859	189,109	-	3,595,994
Total expenses	**53,440,872**	**18,751,441**	**5,828,829**	**(1,502,177)**	**76,518,965**
(Loss)/Profit before tax	**(1,645,259)**	**(5,425,678)**	**(124,847)**	**(3,769,376)**	**(10,965,160)**
Total assets	**51,888,746**	**7,665,746**	**4,986,204**	**(3,076,804)**	**61,463,892**
Total liabilities	**16,414,137**	**10,218,248**	**2,653,386**	**(47,295)**	**29,238,476**

2020	APAC	Americas	Europe	Elimination[17]	Consolidated
	$	$	$	$	$
Revenue					
External customers	39,586,638	10,772,895	4,993,081	-	55,352,614
Intercompany revenue	(195,588)	-	1,448,101	(1,252,513)	-
Intercompany dividends	3,503,335	-	-	(3,503,335)	-
Total revenue	**42,894,385**	**10,772,895**	**6,441,182**	**(4,755,848)**	**55,352,614**
Expenses					
Operating expenses	12,283,039	2,949,751	1,242,916	(171,826)	16,303,880
Employee benefits expenses	22,422,247	7,817,944	4,945,491	(1,080,687)	34,104,995
Impairment of trade receivables	44,461	127,213	(692)	-	170,982
Impairment of intangible asset	-	-	-	-	-
Depreciation and amortisation	2,775,702	141,702	274,357	-	3,191,761
Total expenses	**37,525,449**	**11,036,610**	**6,462,072**	**(1,252,513)**	**53,771,618**
Profit before tax	**5,368,936**	**(263,715)**	**(20,890)**	**(3,503,335)**	**1,580,996**
Total assets	**50,662,382**	**6,323,373**	**5,433,886**	**(2,494,493)**	**59,925,148**
Total liabilities	**14,407,568**	**5,599,042**	**2,984,798**	**-**	**22,991,408**

[17] These are consolidation entries to eliminate transactions between companies in the group and consolidate the subsidiary companies' financial results into the parent company.

NOTE 4. EARNINGS PER SHARE ("EPS")

Basic EPS is calculated by dividing the profit after tax 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. Where a Company has an accounting loss, the diluted EPS is equal to the basic EPS due to the contingently issued ordinary shares being excluded from the calculation. For the year ended 30 June 2021, 6,017,983 of rights were not included in the diluted EPS calculation below as they are anti-dilutive.

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

	2021 $	2020 $
(Loss) / Profit attributable to ordinary equity holders of the parent:	**(11,256,184)**	**545,761**
	Shares	**Shares**
Weighted average number of ordinary shares for basic EPS	136,467,049	131,128,227
Effects of dilution from:		
- Employee Share Plans	-	5,391,253
- Deferred Consideration for Trinity Fund Administration	-	922,353
Weighted average number of ordinary shares adjusted for the effects of dilution	**136,467,049**	**137,441,833**

As at 30 June 2021, there were 138,089,440 ordinary shares outstanding (2020: 131,841,912).

The calculation of weighted average number of ordinary shares outstanding considers the issuance of:

- 922,353 fully paid ordinary shares in connection with the Company's deferred consideration on 1 October 2020;
- 4,725,175 and 600,000 fully paid ordinary shares under the Company's Employee Share Plan on 1 October 2020 and 30 October 2020, respectively.

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. REVENUE

	Consolidated 2021 $	 2020 $
Fee income from contracts with external customers	60,226,952	50,227,684
Other operating income	3,772,098	2,861,106
Interest income	1,554,755	2,263,824
Total revenue	**65,553,805**	**55,352,614**

Disaggregation of revenue	APAC	America	Europe	Total
Geographical	$	$	$	$
2021				
Fee income from contracts with customers	42,870,289	13,312,517	4,044,146	60,226,952
Other operating income	3,757,777	12,102	2,219	3,772,098
Interest income	1,524,076	9,688	20,991	1,554,755
Total revenue	**48,152,142**	**13,334,307**	**4,067,356**	**65,553,805**
2020				
Fee income from contracts with customers	34,459,150	10,780,080	4,988,454	50,227,684
Other operating income	2,862,073	(5,621)	4,653	2,861,105
Interest income	2,265,415	(1,564)	(26)	2,263,825
Total revenue	**39,586,638**	**10,772,895**	**4,993,081**	**55,352,614**

NOTE 6. SHARE BASED PAYMENTS

The Company has in place an Employee Share Plan (“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 and are usually granted in October each year.

The Employee Share Offer grants eligible employees who are not invited to participate in the other offers up to $2,000 of shares for nil consideration as an employee benefit. The Employee Share Offer was not offered for the prior performance period and therefore no new Rights were granted under this program during the period.

The Short-Term Incentive (“STI”) grants Performance Rights to the broader management team in recognition of key performance indicator (“KPI”) achievement and performance. The Company may at its discretion provide other bonuses. It also includes shares granted to US employees for reaching revenue growth targets as part of the build out of the private equity business (“US PE Revenue Share Offer”). This year was the first-time shares were awarded under the US PE Revenue Share Offer, resulting in an increase to the STI expense relative to the prior period, particularly given Mainstream’s share price appreciation relative to prior periods. Any discretionary bonuses awarded are reported with the STI numbers presented below.

The Long-Term Incentive (“LTI”), grants Performance Rights to Executive Directors and senior management subject to achievement of various performance measures tied to the Company’s profitability and KPIs.

For details of programs above, refer to the Remuneration Report. The total expense recognised for share-based payments during the years ended 30 June 2021 and 30 June 2020 are:

	Consolidated	
	2021	2020
	$	$
Share-based payments		
Employee Share Offer	123,106	91,325
Short Term Incentive	7,143,045	1,390,767
Long Term Incentive	656,999	251,872
Total share-based payments expense	**7,923,150**	**1,733,964**

For the year ended 30 June 2021, an additional $5,377,413 was accrued in relation to the US PE Revenue Share Offer. This is a sales incentive program aligned to growing the US PE business. The accrual expense is based on the 30 June 2021 share price of $2.74 (2020: $0.57) and includes $1,367,413 accrued for awards which have not yet satisfied all of the criteria to be awarded.

NOTE 7. INCOME TAX

The Group calculates the period income tax expense using the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The major components of income tax expense in the consolidated statement of profit or loss for the years ended 30 June 2021 and 2020 are:

	Consolidated	
	2021	2020
	$	$
(a) Current income tax		
Current income tax	2,440,019	1,285,965
Current tax adjustment for prior periods	(231,717)	92,184
Deferred tax benefit	(1,917,278)	(342,914)
Income tax expense	**291,024**	**1,035,235**
Deferred tax included in income tax expense comprises:		
Movement in deferred tax assets	(1,493,622)	(1,318,371)
Movement in deferred tax liabilities	(423,656)	975,457
Deferred tax benefit	**(1,917,278)**	**(342,914)**
Reconciliation of income tax expense and accounting profit		
(Loss)/Profit before income tax expense	**(10,965,160)**	**1,580,996**
Tax at the statutory rate of 30% (PY: 30%)	**(3,289,548)**	**474,299**
Add:		
Share based payments	2,150,714	520,189
Tax rate differential in other jurisdictions	(184,565)	(373,900)
Adjustments to prior periods	(231,718)	92,185
Contract break-fees	1,630,973	-
Amortisation of intangible assets	289,115	290,584
Non-assessable grants	(92,392)	(31,076)
Other	18,445	62,954
Income tax expense at effective tax rate	**291,024**	**1,035,235**
(b) Analysis of deferred tax		
Deferred tax asset relates to:		
Provisions	677,467	424,191
Accruals and sundry items	550,993	341,586
Foreign tax loss carried forward	1,075,032	36,186
Equity raising costs	542,625	291,178
Property, plant and equipment	27,076	27,218
Lease assets (AASB16)	911,035	1,184,093
Other	20,571	6,725
Deferred tax asset	**3,804,799**	**2,311,177**
Deferred tax liability relates to:		
Property, plant and equipment	152,523	179,848
Finite life intangible assets	1,140,421	1,267,165
Lease assets (AASB16)	850,309	1,107,002
Other	1,386	14,279
Deferred tax liability	**2,144,639**	**2,568,294**
Net deferred tax liability	**1,660,160**	**257,117**
(c) Income tax benefit charged directly to equity		
Adoption of AASB16	-	29,264

The Group's effective tax rate for the year ended 30 June 2021, excluding impairment of goodwill and share-based payments was, 18.00% (2020: 31.20%)

NOTE 8. CURRENT ASSETS – CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents

	Consolidated 2021 $	2020 $
Cash at bank	**13,020,589**	**14,739,742**

(b) Reconciliation of Cash Flow from Operating Activities

	Consolidated 2021 $	2020 $
(Loss)/Profit after tax	(11,256,184)	545,761
Adjustments for:		
Amortisation expense	1,533,058	1,537,253
Depreciation expense	4,283,432	3,858,031
Share-based payments	7,923,150	1,733,964
Changes in operating assets and liabilities		
Increase in receivables	(2,532,214)	(103,317)
Increase in trade creditors and accrued expenses	5,205,067	148,874
Increase in other assets	(2,958,354)	(424,082)
Increase in other liabilities	4,231,041	2,262,899
Increase in right to use assets	(1,541,231)	(4,927,189)
Increase in lease liabilities (AASB16)	1,541,231	5,357,568
Cash inflows from operating activities	**6,428,996**	**9,989,762**

(c) Non-cash financing activities

	Consolidated 2021 $	2020 $
Issue of shares under the DRP	-	100,964

NOTE 9. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated 2021 $	2020 $
Trade debtors	11,832,491	8,839,432
Allowance for expected credit loss (Note 23)	(921,947)	(461,102)
	10,910,544	**8,378,330**

NOTE 10. CURRENT ASSETS – OTHER

	Consolidated 2021 $	2020 $
Deposit bonds	1,200,607	1,220,589
Prepayments	1,535,863	1,253,082
Other	1,356,331	154,398
	4,092,801	**2,628,069**

Deposit bonds relate to rental bonds held for office premises as well as a $500,000 Settlement Bond to ASX Settlement Pty Ltd for use of the ASX mFunds platform.

NOTE 11. NON-CURRENT ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Consolidated 2021 $	2020 $
Office equipment – at cost	1,170,952	1,377,791
Less: Accumulated depreciation	(796,290)	(619,357)
	374,662	**758,434**
Computer equipment – at cost	1,879,460	1,451,025
Less: Accumulated depreciation	(1,356,772)	(1,201,008)
	522,688	**250,017**
Capitalised software – at cost	11,156,088	9,539,086
Less: Accumulated depreciation	(5,867,927)	(4,369,449)
	5,288,161	**5,169,637**
Work-in-progress – at cost	450,038	268,461
	450,038	**268,461**
Total property, plant and equipment	**6,635,549**	**6,446,549**

The gross carrying amount of fully depreciated property, plant and equipment that is still in use as at 30 June 2021 was $2,657,095 (2020: $2,293,144).

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 $	Work in Progress $	Total $
Balance at 1 July 2019	**638,448**	**367,691**	**4,358,829**	**190,948**	**5,555,916**
Foreign exchange	4,301	3,312	11,699	82	19,394
Additions	297,891	155,004	1,822,009	252,758	2,527,662
Disposal	(8,306)	-	-	-	(8,306)
Depreciation expense	(173,900)	(275,990)	(1,198,227)	-	(1,648,117)
Transfer	-	-	175,327	(175,327)	-
Balance at 30 June 2020 and 1 July 2020	**758,434**	**250,017**	**5,169,637**	**268,461**	**6,446,549**
Foreign exchange	(238,760)	243,138	(148,883)	77,991	(66,514)
Additions*	41,306	415,639	754,676	1,112,353	2,323,974
Disposal	-	(5,524)	-	-	(5,524)
Depreciation expense	(186,318)	(380,582)	(1,496,036)	-	(2,062,936)
Transfer	-	-	1,008,767	(1,008,767)	-
Balance at 30 June 2021	**374,662**	**522,688**	**5,288,161**	**450,038**	**6,635,549**

* Additions include IT expenditure on key client projects for future products and technology upgrades to improve processing efficiency and comply with legislative changes.

NOTE 12. NON-CURRENT ASSETS – INTANGIBLES

	Consolidated 2021 $	2020 $
Business combinations – goodwill	10,315,415	10,315,415
Customer contracts and relationships	8,662,699	10,178,677
	18,978,114	**20,494,092**

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

	Goodwill $	Customer contracts and relationships $	Total $
Opening balance at 1 July 2019	**10,315,415**	**11,694,654**	**22,010,069**
Amortisation expense	-	(1,537,253)	(1,537,253)
Exchange difference	-	21,276	21,276
Opening balance at 1 July 2020	**10,315,415**	**10,178,677**	**20,494,092**
Amortisation expense	-	(1,533,058)	**(1,533,058)**
Exchange difference	-	17,080	**17,080**
Closing balance at 30 June 2021	**10,315,415**	**8,662,699**	**18,978,114**

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 based on 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% (2020: 5%) and terminal growth rate of 3% (2020: 3%) were applied to the model. The discount rate of 9.87% (2020: 12.1%) pre-tax reflects management's estimate of the time value of money and Group's weighted average cost of capital.

For the year ended 30 June 2020, a review of useful lives was undertaken. Management assessment determined that the Intangible Assets of Mainstream Superannuation Services Pty Ltd, Mainstream Fund Services (Malta) Limited and Mainstream Fund Services (IOM) Limited to have a remaining useful life of 4 years. This assessment is in response to structural changes in the superannuation industry, existing contract maturity dates across these entities and provides more flexibility in the execution of the entity's strategy in response to changing market conditions. As a result, the definite useful lives of Intangible Assets for Mainstream Superannuation Services Pty Ltd, Mainstream Fund Services (Malta) Limited and Mainstream Fund Services (IOM) Limited was revised from 15 years to 4 years in 2020.

Other than the above, the Group did not identify any indicators of impairment during the year ended 30 June 2021.

NOTE 13. CURRENT LIABILITIES – TRADE CREDITORS AND ACCRUED EXPENSES

	Consolidated	
	2021	2020
	$	$
Trade creditors	543,191	867,177
Accrued expenses	7,636,407	2,107,354
Total	**8,179,598**	**2,974,531**

NOTE 14. PROVISIONS FOR EMPLOYEE BENEFITS

	Consolidated	
	2021	2020
	$	$
Annual leave liability - current	1,564,391	1,115,668
Long services leave liability		
- current	176,061	118,606
- non-current	179,374	114,186
Total	**1,919,826**	**1,348,460**

NOTE 15. DEFERRED CONSIDERATION

	Consolidated	
	2021	2020
	$	$
Deferred Consideration		
- current	-	425,668
Total	**-**	**425,668**

With respect to the Trinity Group acquisition, the final deferred settlement of 922,353 shares was settled in October 2020 upon achievement of financial Key Performance Indicators during the period.

NOTE 16. INTEREST BEARING LIABILITIES

	Consolidated 2021 $	Consolidated 2020 $
Interest bearing liabilities		
- Current	7,598,393	351,976
- Non-current	-	5,937,655
Total	**7,598,393**	**6,289,631**

The Company has a debt facility with Australia and New Zealand Banking Group Limited ("ANZ"). The facility's maturity has been extended to 12 Jan 2022 or upon change of control of Mainstream, with an updated charge of BBSY bid + 3% per annum. During the year, the Company repaid $3 million (2020: $1 million) of the debt facility. The Group is compliant with its debt covenants as at 30 June 2021.

As at 30 June 2021, the carrying amount of interest bearing liabilities approximates their fair value.

NOTE 17. OTHER CURRENT LIABILITIES

	Consolidated 2021 $	Consolidated 2020 $
GST liability	382,278	587,142
PAYG withholding payable	241,817	186,026
Superannuation payable	517,378	356,800
Due to previous vendors of acquired entities[18]	472,790	561,496
Unearned revenue	1,251,986	1,006,573
Other payables	320,398	313,327
Total	**3,186,647**	**3,011,364**

Unearned revenue relates to cash received in advance from customers for services to be provided in the future.

[18] This relates to a liability due to the previous shareholder of Fundadministration, Inc for their historical retained earnings as agreed to between the respective parties in the Sale Agreement.

NOTE 18. LEASES

Set out below, are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year:

	Right-of-use assets			
	Office premise $	Other equipment $	Total $	Lease liabilities $
As at 1 July 2020	**4,755,344**	**171,845**	**4,927,189**	**5,357,568**
Additions	1,040,458	515,167	1,555,625	1,555,625
Disposal	(8,335)	-	(8,335)	(8,776)
Depreciation expense	(2,083,659)	(136,838)	(2,220,497)	-
Interest expense	-	-	-	162,943
Payments	-	-	-	(2,466,693)
Exchange differences	(232,486)	-	(232,486)	(208,196)
As at 30 June 2021	**3,471,322**	**550,174**	**4,021,496**	**4,392,471**

On 21 May 2021, a renewal agreement was signed for the Hong Kong offices' 1-year lease extension commencing on 1 July 2021.

NOTE 19. EQUITY - CONTRIBUTED CAPITAL

	Consolidated		Consolidated	
	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	138,089,440	131,841,912	40,070,661	35,811,622

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 the number of ordinary shares outstanding is shown in the table below:

	Shares
Ordinary shares outstanding at 30 June 2020	**131,841,912**
Shares issued under Employee Share Plan	5,325,175
Shares issued for Deferred Consideration	922,353
Ordinary shares outstanding at 30 June 2021	**138,089,440**

On 17 August 2020, the Company announced a final dividend out of the profit reserve of 1 cent per issued share, franked at 50%, at a corporate tax rate of 30%. Payment of the dividend was completed on 14 October 2020.

On 1 October 2020 and 30 October 2020, the Company issued 4,725,175 and 600,000 fully paid ordinary shares under the Company's Employee Share Plan, respectively.

On 1 October 2020, the Company issued 922,353 shares to the former owner of Trinity Fund Administration (now Mainstream Fund Services Ireland and Cayman) for successful achievement of the Year 3 Profit Before Tax financial hurdle as part of a 3 year 'earn-out' in relation to the acquisition of Trinity Group.

NOTE 20. RESERVES

	Consolidated 2021 $	2020 $
Foreign currency translation reserve	38,193	520,732
Profit reserve	1,406,691	1,325,110
Share-based payment reserve	5,783,684	1,693,905
Total	**7,228,568**	**3,539,747**

The changes of each type of reserve in equity is shown below:

	Profit reserve $	Foreign currency translation reserve $	Share-based payment reserve $
Opening balance at 1 July 2019	**700,000**	**589,583**	**854,750**
Foreign exchange translation	-	(68,851)	-
Share issued under Employee Share Plan	-	-	(894,809)
Share-based payments	-	-	1,733,964
Dividend paid	(644,890)	-	-
Transfer from retained earnings	1,270,000	-	-
Closing balance at 30 June 2020 and 1 July 2020	**1,325,110**	**520,732**	**1,693,905**
Foreign exchange translation	-	(482,539)	-
Share issued under Employee Share Plan	-	-	(3,833,371)
Share-based payments	-	-	7,923,150
Dividend paid	(1,318,419)	-	-
Transfer from retained earnings	1,400,000	-	-
Closing balance at 30 June 2021	**1,406,691**	**38,193**	**5,783,684**

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.

Profit reserve
The reserve is used to recognise the profits that have been appropriated for payment of dividends. During the year $1,400,000 (2020: $1,270,000) was allocated from current profits as at 30 June 2021, which is preserved for a future dividend.

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 21. EQUITY - DIVIDENDS

On 17 August 2020, the Company announced a final dividend out of the profit reserve of 1 cent per issued share, franked at 50%, at a corporate tax rate of 30%. Payment of the dividend was completed on 14 October 2020.

NOTE 22. 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 necessary adjustments in light of changes in market and economic conditions.

NOTE 23. 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, deferred consideration 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:

2021	Note	Weighted average interest rate %	Floating interest rate $	Fixed Interest Rate $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	8	0.17	13,020,589	-	-	13,020,589
Trade and other receivables	9		-	-	11,832,491	11,832,491
Deposit bonds	10		-	-	1,200,607	1,200,607
			13,020,589	**-**	**13,033,098**	**26,053,687**
Financial liabilities						
Trade creditors and accrued expenses	13		-	-	8,179,598	8,179,598
Deferred consideration	15		-	-	-	-
Interest-bearing liabilities	16	3.18	-	7,598,393	-	7,598,393
Lease liability (AASB16)	18	3.73	-	4,392,471	-	4,392,471
			-	**11,990,864**	**8,179,598**	**20,170,462**

2020	Note	Weighted average interest rate %	Floating interest rate $	Fixed Interest Rate $	Non-interest bearing $	Total $
Financial assets						
Cash and cash equivalents	8	0.39	14,739,742	-	-	14,739,742
Trade and other receivables	9		-	-	8,839,433	8,839,433
Deposit bonds	10		-	-	1,220,589	1,220,589
			14,739,742	**-**	**10,060,022**	**24,799,764**
Financial liabilities						
Trade creditors and accrued expenses	13		-	-	2,974,531	2,974,531
Deferred consideration	15		-	-	425,668	425,668
Interest-bearing liabilities	16	2.67	5,937,655	351,976	-	6,289,631
Lease liability (AASB16)	18	3.79	-	5,357,568	-	5,357,568
			5,937,655	**5,709,544**	**3,400,199**	**15,047,398**

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. Cash and deposits are all maintained by banks with high credit ratings. 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 subject to its established policy and procedures.

An ECL analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

2021	Current	30-60 days	61-90 days	90 + days	Total
Expected loss rate	0%	3.3%	3.3%	39.8%	
Gross carrying amount	9,032,665	262,701	264,173	2,272,952	**11,832,491**
Expected credit loss	-	8,676	8,676	904,595	**921,947**
2020					
Expected loss rate	0%	0%	0.3%	17.9%	
Gross carrying amount	5,896,966	163,087	208,746	2,570,633	**8,839,432**
Expected credit loss	-	-	642	460,460	**461,102**

The Group assessed the concentration of risk to be low as they have a wide range of customers across various geographical areas.

Notes to the Financial Statements continued

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 2021:

2021	**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	13	367,486	7,811,061	1,051	-	-	8,179,598
Deferred consideration	15	-	-	-	-	-	-
Interest bearing liabilities	16	-	2,622,520	4,975,873	-	-	7,598,393
Lease liabilities (AASB16)	18	-	578,722	1,243,990	2,052,334	1,339,190	5,214,236
		367,486	**11,012,303**	**6,220,914**	**2,052,334**	**1,339,190**	**20,992,227**

2020	**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	13	515,857	2,379,330	79,344	-	-	2,974,531
Deferred consideration	15	-	-	425,668	-	-	425,668
Interest bearing liabilities	16	-	130,598	221,372	6,000,000	-	6,351,970
Lease liabilities (AASB16)	18	-	593,346	1,868,959	2,265,182	911,224	5,638,711
		515,857	**3,103,274**	**2,595,343**	**8,265,182**	**911,224**	**15,390,880**

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.

Sensitivity analysis

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

		2021 Profit before tax $	2020 Profit before tax $
Interest rate risk			
Impact of a 100-basis point ("bp") change in interest rate	-100 bp	130,206	88,021
	+100 bp	(130,206)	(88,021)
Foreign currency risk			
Impact of a 10% movement of exchange rate against Australian dollar	-10% depreciation of AUD	753,189	800,360
	+10% appreciation of AUD	(753,189)	(800,360)

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 currency impacted are primarily in United States Dollar, Singapore Dollar, Hong Kong Dollar, Euro and Great British Pound. 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 of foreign currency changes for all other currencies is not material.

Litigation risk

Litigation risk is the risk that legal action will be taken against the Company which leads to financial liabilities, brand damage and diversion of management time. During the normal course of business, the Company may become subject to claims and litigation.

The Directors have given due consideration to such matters, which are or may be subject to litigation at year end and, subject to specific provisions raised, are of the opinion that no material contingent liability exists.

NOTE 24. KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation received by the Key Management Personnel, including Directors of the Group, as listed on page 17 of this report, is set out below:

	Consolidated	
	2021	2020
	$	$
Short-term employee benefits	2,670,977	2,682,068
Post-employment benefits (superannuation or equivalent)	85,288	95,399
Other long-term benefits	82,289	3,931
Share-based payments	6,003,053	536,270
	8,841,607	**3,317,668**

NOTE 25. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

The Group did not have any contingent assets as at 30 June 2021 (2020: $nil) nor contingent liabilities as at 30 June 2021 (2020: $nil).

NOTE 26. RELATED PARTY TRANSACTIONS

Subsidiaries

Interests in subsidiaries are set out in note 29.

Transactions with related parties

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.

In December 2020, Mainstream Group Holdings Limited provided a loan to Jay Maher, CEO Americas, to pay withholding taxes due upon vesting of Share Based Payment incentives. The loan is payable within 3 years, applies the ATO benchmark arm-length interest rates and the balance as at 30 June 2021 is $401,596.

All intercompany transactions were made on normal commercial terms and conditions no more favourable than those available to other parties, except some intercompany balances which are payable on demand and short term in nature that are interest free.

NOTE 27. AUDITOR'S REMUNERATION

The disclosures are set out below:

I. Category 1 - Fees to the group auditor for:
   (i) auditing the statutory financial report of the parent covering the group;
   (ii) auditing the statutory financial reports of any controlled entities;

II. Category 2 - Fees for assurance services that are required by legislation to be provided by the auditor;

III. Category 3 - Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm; and

IV. Category 4 - Fees for other services

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

Auditor's Remuneration	2021	2020
	$	$
Fees to Ernst & Young (Australia)		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	275,466	274,710
Fees for assurance services that are required by legislation to be provided by the auditor	19,185	18,995
Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	164,071	162,447
Fees for other services	10,920	72,696
- Tax compliance		
Total fees to Ernst & Young (Australia) (A)	**469,642**	**528,848**
Fees to other overseas member firms of Ernst & Young (Australia)	138,822	142,324
Fees for auditing the financial report of any controlled entities		
Fees for assurance services that are required by legislation to be provided by the auditor	5,767	6,205
Total fees to overseas member firms of Ernst & Young (Australia) (B)	**144,589**	**148,529**
Total auditor's remuneration (A)+(B)	**614,231**	**677,377**

NOTE 28. PARENT ENTITY INFORMATION

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

	Parent 2021 $	Parent 2020 $
Statement of financial position		
Total current assets	4,919,550	2,759,815
Total assets	**25,647,014**	**27,057,544**
Total current liabilities	(12,644,033)	(1,386,657)
Total liabilities	**(15,861,092)**	**(10,985,650)**
Equity		
Issued capital	40,070,661	35,811,622
Reserves	5,587,062	3,055,220
Retained losses	(35,871,800)	(22,795,359)
Total equity	**9,785,923**	**16,071,483**
(Loss)/Profit of the parent entity	(11,683,681)	299,872
Total comprehensive (loss)/profit of the parent entity	(11,683,681)	299,872

The Group consolidated loss after income tax for the year ended 30 June 2021 was ($11,683,681) (2020: $545,761 profit). Refer to the consolidated statement of profit and loss and other comprehensive income for further details.

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

The parent entity had no material capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

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 29. 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 2021 %	Equity holding 2020 %
Mainstream Fund Services Pty Ltd	Australia	100	100
Mainstream Superannuation Services Pty Ltd	Australia	100	100
ShareBPO Pty Ltd	Australia	100	100
Mainstream Digital Services Pty Ltd	Australia	100	100
Mainstream Fund Services Pte. Ltd.	Singapore	100	100
Mainstream Fund Services (HK) Limited	Hong Kong	100	100
Mainstream Fund Services LLC	U.S.A.	100	100
Fundadministration, Inc. (formerly Mainstream Fund Services, Inc.)	U.S.A.	100	100
Mainstream Fund Services (Malta) Limited	Malta	100	100
Mainstream Fund Services (IOM) Limited	Isle of Man	100	100
Mainstream Secretarial Services (IOM) Limited	Isle of Man	100	100
JAL Investments Limited	Cyprus	100	100
Mainstream Fund Services (Ireland) Limited	Ireland	100	100
Mainstream Fund Services (Cayman) Limited	Cayman Islands	100	100

NOTE 30. EVENTS AFTER THE REPORTING PERIOD

A Scheme Booklet in relation to the Scheme with Apex was released to ASX on 5 August 2021 and copies were dispatched to shareholders on 17 August 2021. The Scheme Meeting is currently scheduled for 6 October 2021 (date subject to change), Shareholders should consult the Scheme Booklet for information in relation to the Scheme and detail on how to vote at the Scheme Meeting.

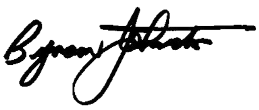
Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

Directors' Declaration

In accordance with a resolution of the Directors of Mainstream Group Holdings Limited, I state that:

1. In the opinion of the Directors:
    a. the financial statements and notes of Mainstream Group Holdings Limited for the financial year ended 30 June 2021 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 2021 and of its performance for the year ended on that date; and
        ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
    b. the financial 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 2021.

On behalf of the Board



Byram Johnston OAM
Non-Executive Chairman
Date: 27 August 2021
Sydney

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Mainstream Group Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Mainstream Group Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of 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 2021 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 (including Independence Standards)* (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 2021, the Group's goodwill and other intangible assets balance was $19.0m which represented 32% of total assets. The Directors' assessment of the recoverable value of goodwill and other intangible assets was a key audit matter as the assessment process is complex and judgemental 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. As at 30 June 2021, the COVID-19 pandemic did not have a significant negative impact to the Group's operations and results, however additional considerations relating to the COVID-19 pandemic were used in the development of forward-looking estimates. The Group has disclosed in Note 12 of the financial report the assessment method, including the key underlying assumptions, the results of the assessments and the impact of applying sensitivities.	Our audit procedures included: ▶ Assessed the Group's determination of the CGUs to which goodwill is allocated ▶ Assessed the methodology used to calculate the recoverable amount of each CGU; ▶ Agreed the projected cash flows used in the value-in-use impairment models to the Board approved plan of the Group; ▶ Compared the Group's implied growth rate assumptions to comparable companies; ▶ Considered the accuracy of historical cash flow forecasts; ▶ Assessed the methodology and assumptions used in the calculation of the discount rate, including comparison of the rate to market benchmarks; ▶ Tested the mathematical accuracy of the impairment model for each CGU; ▶ Considered the Group's sensitivity analysis and evaluated whether any reasonably foreseeable change in assumptions could lead to a material impairment; and ▶ Assessed whether the related financial report disclosures were in accordance with Australian Accounting Standards.

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 in multiple countries, the accounting policy for which is disclosed in Note 2g of the financial report. The fee calculation process is largely manual and the majority of customer contracts are bespoke with fixed and/or variable components. Revenue recognition requires making estimates relating to the wide variety of unique contract conditions, which leads to contract revenue recognition being complex. As a result, revenue recognition was considered a key audit matter.	Our audit procedures included: ▶ Assessed the appropriateness of the Group's revenue recognition accounting policies; ▶ Obtained an understanding of the Group's processes for recognising contract revenues; ▶ Recalculated fee income, on a sample basis, to determine whether it was calculated in accordance with contractual arrangements and other supporting documentation; ▶ For a sample of transactions recorded close to year end we assessed whether the associated revenue was recognised in the correct period; ▶ Analysed revenue trends and movements and obtained evidence to support any variations from our expectations; and ▶ Assessed whether the related financial report disclosures were in accordance with Australian Accounting Standards.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 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, with the exception of the Remuneration Report and our related assurance opinion.

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, actions taken to eliminate threats or safeguards applied.

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 11 to 20 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Mainstream Group Holdings Limited for the year ended 30 June 2021, 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

Jonathan Pye

Jonathan Pye
Partner
Sydney
27 August 2021

Shareholder Information

Additional information required by the Australian Securities Exchange (ASX) and not shown elsewhere in this report is as follows. The information is current as at 6 August 2021.

(a) Distribution of equity securities (quoted)

Range	Shareholders	Holdings	Percentage
1 - 1000	178	89,798	0.06%
1001 - 5000	554	1,705,828	1.24%
5001 - 10,000	232	1,803,129	1.31%
10,001 - 100,000	367	12,431,247	9.00%
100,001 and above	66	122,059,438	88.39%
Total	**1,397**	**138,089,440**	**100.00%**
Holdings less than a marketable parcel	49		

(b) Substantial shareholders

Position	Investor	Date of Last Notice	Holdings at Date of Last Notice	Percentage
1	MARTIN CHARLES SMITH[19]	10 June 2021	15,266,366	11.06%
2	BYRAM THOMAS JOHNSTON[20]	10 June 2021	13,616,665	9.86%
3	VISTRA GROUP HOLDINGS (BVI) LIMITED[21]	9 June 2021	13,808,805	9.99%
4	JOHN PLUMMER	10 June 2021	9,653,591	6.99%

Shareholders are advised that holdings of 10.0% or more are restricted due to regulator imposed ownership limits that apply to the Company's wholly owned subsidiaries in Europe and the Cayman Islands. Any shareholder seeking to hold 10.0% or more of the Company's securities needs to provide prior written notification of the proposed transaction to the Company Secretary so that the relevant regulators can be informed and determine whether there are any prudential grounds upon which they should object or impose conditions on the transaction. In accordance with ASX Listing Rule 3.19 and to ensure compliance with foreign laws, Mainstream may require divestiture of any shares that exceed the shareholding restrictions.

[19] Holds direct interests and indirect interests through Sodor Holdings Pty Ltd as trustee for the Sodor Investment Trust and Mr Martin Charles Smith + Mrs Sharon Lee Smith <Smith Family S/F No2 A/C>.
[20] Holds direct interests and indirect interests through Johnston Bros Pty Ltd as trustee for the Mainstream Investment Trust.
[21] Mainstream Group Holdings Limited holds a relevant interest in these shares under sections 608(1)(b) and 608(8) of the Corporations Act by virtue of a Voting Deed dated 9 June 2021, a copy of which is available on the ASX Market Announcements Platform.

(c) Twenty largest holders of quoted equity securities

Position	Investor	Holdings	Percentage
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	15,565,301	11.27%
2	VISTRA GROUP HOLDINGS (BVI) LIMITED	13,808,805	9.99%
3	SODOR HOLDINGS PTY LTD <SODOR INVESTMENT A/C>	13,522,963	9.79%
4	JOHNSTON BROS PTY LTD <MAINSTREAM INVESTMENT TRUST>	12,956,088	9.38%
5	JOHN PLUMMER	9,653,591	6.99%
6	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,995,158	6.51%
7	CITICORP NOMINEES PTY LIMITED	7,302,365	5.29%
8	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	7,149,743	5.18%
9	HSBC CUSTODY NOMINEES	4,545,210	3.29%
10	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	3,659,409	2.65%
11	BNP PARIBAS NOMS PTY LTD <DRP>	3,053,917	2.21%
12	FILDOT INVESTMENTS LIMITED	2,715,542	1.97%
13	MR GERALD F MAHER	2,500,000	1.81%
14	MR MARTIN CHARLES SMITH	1,383,510	1.00%
15	NATIONAL NOMINEES LIMITED	1,304,391	0.94%
16	KALAN SEVEN PTY LTD	1,060,557	0.77%
17	NEWECONOMY COM AU NOMINEES PTY LIMITED	1,055,271	0.76%
18	CERTANE CT PTY LTD <HAYBOROUGH OPP FUND>	800,000	0.58%
19	ANDREW HARRISON	799,769	0.58%
20	MR BYRAM THOMAS JOHNSTON	652,960	0.47%
Total		**112,484,550**	**81.43%**

(d) Unquoted securities

As at the date of this report, Mainstream has 4,767,982 unquoted Performance Rights on issue, each of which were issued pursuant to the Mainstream Employee Share Plan Rules:

ASX Code	Number of holders	Holdings
MAIAB (unquoted)	43	4,267,982
MAIAC (unquoted)	1	500,000
Total	**44**	**4,767,982**

Corporate Information

Directors

Byram Johnston OAM – Non-Executive Chairman

Martin Smith – Chief Executive Officer

John Plummer – Non-Executive Director

JoAnna Fisher – Non-Executive Director

Debbie Last – Non-Executive Director

Company Secretary

Alicia Gill

Registered Office

Level 1
51-57 Pitt Street
Sydney NSW 2000

Solicitors

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

Auditor

Ernst & Young
200 George Street
Sydney NSW 2000

Share Registry

Mainstream Fund Services Pty Limited
GPO Box 4968
Sydney NSW 2001

Securities Exchange Listing

Australian Securities Exchange
ASX code (ordinary shares): MAI

Website

www.mainstreamgroup.com

Shareholder Information

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