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

ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

ASX Preliminary Consolidated Final Report
Year Ended 30 June 2015

Lodged with the ASX under Listing Rule 4.3A
19 August 2015

1. DETAILS OF REPORTING PERIODS:

The current reporting period is the 12 months to 30 June 2015. The previous corresponding reporting period was for the 12 months to 30 June 2014. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position relates to Ashley Services Group Limited ("**ASH**" and its controlled entities). It is noted that a number of entities, which were formerly owned by Ross Shrimpton and his related family entities (refer to note 5 of notes to the financial statements) were acquired by the Company on 1 July 2014, have been regarded as "entities under common control". In accordance with applicable accounting standards, the comparatives have been restated to reflect all of these entities as if they were owned by the Company and treated as a single consolidated entity.

On 21 August 2014, the company completed its initial public offering. The Prospectus dated 7 August 2014 contained pro-forma consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position. A comparison of the reported results to prospectus has been detailed in a separate presentation.

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

Results:

	2015 $000	2014 $000	Movement
Revenue from ordinary activities	304,700	250,943	+21.4%
Profit from ordinary activities after tax attributable to members	13,676	9,148	+49.5%
Profit for the year attributable to members	13,676	9,148	+49.5%

Refer to Note 16 for brief commentary on the results.

Control gained over entities:

Refer to note 7, Business Combinations, for details of entities over which control has been gained during the year.

Loss of control over entities:

Not applicable.

Details of interests in significant joint ventures and associates:

Not applicable.

Dividend re-investment plans:

Not applicable.

Dividends:

	Record Date	Payment Date	Cents Per Share	Franked Amount Per Share (Cents)
Final Dividend – 2014*	n/a	1 July 2014	108.4	108.4
Interim Dividend – 2015	6 March 2015	27 March 2015	2.3	2.3
Final Dividend – 2015	4 September 2015	25 September 2015	4.1	4.1

*Paid to the previous owners

Additional Information:

	2015	2014
Net tangible assets / (liabilities) ($)	28,337,653	6,993,546
Shares on Issue	150,000,000	28,290,430
Net tangible assets / (liabilities) per share ($)	**0.19**	**0.25**

Audit qualification or review:

The financial statements are in the process of being audited.

R Shrimpton

Ross Shrimpton
Managing Director

Sydney, 18th August 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2015 (unaudited)

	Note	30-Jun-2015 $000	30-Jun-2014 $000
Revenue	1	304,700	250,943
Other income	1	8,478	299
On hired labour and training costs		(251,716)	(214,778)
Employee benefits expense		(22,879)	(15,171)
Occupancy expense		(3,676)	(2,042)
Travel expense		(627)	(373)
Advertising and marketing expense		(419)	(415)
Management fees		-	(110)
Audit, legal and professional fees		(612)	(244)
Insurance expense		(673)	(282)
Depreciation and amortisation expense		(2,562)	(820)
Finance costs		(945)	(572)
Consulting fees		(899)	(1,410)
Other expenses		(4,151)	(1,933)
IPO and acquisition related costs		(4,435)	-
Profit before income tax		**19,584**	**13,092**
Income tax expense		(5,908)	(3,944)
Profit for the period		**13,676**	**9,148**
Other comprehensive income		-	-
Total comprehensive income for the period		**13,676**	**9,148**
Basic earnings per share (cents)	11	**9.66**	**32.38**
Diluted earnings per share (cents)	11	**9.65**	**32.38**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position
As at 30 June 2015 (unaudited)

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2015 (unaudited)

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2015 (unaudited)

	Note	30-Jun-2015 $000	30-Jun-2014 $000
Cash flows from operating activities			
Receipts from customers		337,647	268,062
Payments to suppliers and employees		(322,277)	(259,073)
Payments in relation to IPO and acquisition related costs		(3,576)	-
Interest received		383	195
Finance costs paid		(266)	(572)
Income taxes paid		(7,398)	(4,350)
Net cash inflow from operating activities		**4,513**	**4,262**
Cash flows from investing activities			
Payments for property, plant and equipment		(1,554)	(1,728)
Proceeds from sale of property plant and equipment		165	41
Payments for intellectual property		(1,768)	-
Payments for businesses acquired	7	(32,788)	(4,050)
Net cash outflow from investing activities		**(35,945)**	**(5,737)**
Cash flows from financing activities			
Net proceeds from external borrowings		(5,819)	2,957
Net proceeds of related party borrowings		487	4,464
Dividend paid		(34,110)	(4,160)
Net proceeds from issue of shares / (repayment of capital)		82,239	(1,447)
Net cash inflow from financing activities		**42,797**	**1,814**
Net cash increase / (decrease) in cash and cash equivalents		**11,365**	**339**
Cash and cash equivalents at beginning of the period		1,215	876
Cash and cash equivalents at end of the period		**12,580**	**1,215**

The accompanying notes form part of these financial statements.

Table of Contents for the Notes to the Preliminary Consolidated Financial Statements (unaudited)

Notes to the Financial Statements (unaudited)

1. REVENUE AND OTHER INCOME

	30-Jun-2015 $000	30-Jun-2014 $000
Operating activities:		
Training revenue	43,662	27,114
Labour hire revenue	261,038	223,829
	304,700	**250,943**
Other income:		
Interest received	383	195
Sundry income	8,095	104
	8,478	**299**

Sundry income includes $7,790,271 from the re-assessment of fair value of deferred consideration.

2. NATURE OF OPERATIONS

Ashley Services Group Limited and its controlled entities (“Group”) principal activities include the provision of recruitment, labour hire and training services.

3. GENERAL INFORMATION AND BASIS OF PREPARATION

The preliminary consolidated financial statements (‘the preliminary financial statements’) of the Group are for the year ended 30 June 2015 and are presented in Australian Dollar ($AUD), which is the functional currency of the Parent Company.

4. SIGNIFICANT ACCOUNTING POLICIES

The preliminary financial statements have been prepared in accordance with the same accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2014.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these preliminary financial statements. It is noted that a number of entities, which were formerly owned by Ross Shrimpton and his related family entities (refer to note 6) were acquired by the Company on 1 July 2014, have been regarded as “entities under common control”. As a result, the comparatives have been restated to reflect all of these entities as if they were owned by the Company and treated as a single consolidated entity.

5. ESTIMATES

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

The judgements, estimates and assumptions applied in the preliminary financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group’s last annual financial statements for the year ended 30 June 2014.

6. SIGNIFICANT EVENTS AND TRANSACTIONS

There have been a number of significant events which occurred during the year ended 30 June 2015 as follows:

a. On 1 July 2014, the Group acquired the following related entities (owned by Ross Shrimpton and Marc Shrimpton and their related family entities):

Notes to the Financial Statements (unaudited)

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

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

c. On 21 August 2014, the Group completed the acquisition of the Integracom Unit Trust ("Integracom"). The consideration payable in relation to this acquisition comprised of:
   - cash of $30 million;
   - shares in the Company valued at $10 million (representing 6.024 million new shares in Ashley Services at $1.66 per share);
   - profits for the period from 1 July 2014 up to the date of completion of $0.1M;
   - deferred consideration amounting to $2 million potentially payable in July 2017. The original potential deferred consideration was $15 million, payable over three years based on certain performance criteria being met. The performance criteria for the year ended 30 June 2015 were not met and management have assessed the potential earn out payment for year ended 30 June 2016 will also not be payable. Management have probability weighted the potential FY17 earn out to obtain a fair value of $2 million (discounted $1.75 million).

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

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

f. On 30 April 2015, the Group acquired 100% of the shares of Global Education and Training Pty Limited – otherwise, known as "SILK". The consideration payable in relation to this acquisition comprised of:
   - cash of $1,500,000;
   - deferred consideration for a maximum of $3,000,000 payable based on revenues and profits achieved for the year ended 30 June 2016;
   - this has been accounted for on a provisional basis and the fair value assessment of assets and liabilities acquired will be completed in the six months to 31 December 2015. No assessment of fair value has been incorporated into these financial statements.

Notes to the Financial Statements (unaudited)

7. BUSINESS COMBINATION

As set out in note 6, the Group acquired 100% of the issued share capital and voting rights of Integracom, Cantillon and SILK during the financial year. All these companies are Australian-based entities that operate within the training sector. The objective of each acquisition was to:

- Integracom - increase the Group's market share in providing training in the telecommunications industry;
- Cantillon - establish a foot print in the overseas students sector; and
- SILK - increase the Group's market share in providing training in the hospitality industry.

Details of the business combination are as follows:

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

*As set out in note 6, the Group has deferred its decision on determining the purchase price allocation and this may be subject to change. This will be finalised in the 31 December 2015 interim financial report.

Notes to the Financial Statements (unaudited)

a. Consideration transferred

Acquisition-related costs amounting to $0.75m are not included as part of consideration transferred and have been recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

b. Identifiable net assets

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

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

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

c. Goodwill

Goodwill on all three acquisitions has been allocated to the training cash-generating unit at 30 June 2015. The goodwill is not expected to be deductible for tax purposes.

d. Contribution of acquisitions to the Group's result

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

Year ended 30 June 2015	Revenue $000	Profits $000
Integracom	10,153	2,125
Cantillon	617	(568)
SILK	766	257

Had the acquisitions occurred on 1 July 2014, the Group's revenue and net profit after tax for the year ended 30 June 2015 would have increased by the following:

Year ended 30 June 2015	Revenue $000	Profits $000
Integracom	1,590	102
Cantillon	266	(83)
SILK	204	143

Notes to the Financial Statements (unaudited)

8. TRADE AND OTHER RECEIVABLES

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

9. GOODWILL

The following table shows movements in goodwill:

	30-Jun-2015 $000	30-Jun-2014 $000
Gross carrying amount		
Balance at beginning of the period	19,743	16,455
Acquired through business combination	46,431	3,288
Balance at end of the period	**66,174**	**19,743**
Accumulated impairment		
Balance at beginning of the period	-	-
Impairment loss recognised	-	-
Balance at end of the period	**-**	**-**
Carrying amount at end of the period	**66,174**	**19,743**

10. INTANGIBLE ASSETS

The following table shows movements in intangible assets:

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

Notes to the Financial Statements (unaudited)

11. EARNINGS PER SHARE

Both the basic and diluted earnings per share have been calculated using the profit attributable to the Group as the numerator:

	30-Jun-2015 $000	30-Jun-2014 $000
Net profit after tax	13,676	9,148
Weighted number of ordinary shares outstanding during the year used in calculating basic earnings per share (EPS)	141,618,754	28,250,162
Basic earnings per share (cents)	9.66	32.38
Diluted earnings per share (cents)	9.65	32.38

The 30 June 2014 weighted number of shares has been retrospectively adjusted for the share split that occurred on 1 July 2014, in accordance with the requirements of AASB133: Earnings per Share.

Notes to the Financial Statements (unaudited)

12. SHARE CAPITAL

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

	30 Jun-2015 $000	30 Jun-2014 $000
150,000,000 (Jun-14: 2,870) fully paid ordinary shares	149,929	3

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

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

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

Note (a)

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

Notes to the Financial Statements (unaudited)

Note (b)

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

Note (c)

During the year, the Group issued a number of Performance Rights. The terms of the Performance Plan has been outlined in the Company's policy statement lodged on the ASX on 21 August 2014. A summary of these terms can also be found in paragraph 8.3 of the Prospectus.

13. DIVIDENDS

During the year ended 30 June 2015, the Group paid $30.7M dividends to the equity shareholders prior to the Initial Public Offering and an interim dividend of 2.3 cents per share. On 17 August 2015, the Directors approved a final dividend of 4.1 cents per share, fully franked, payable to shareholders on the register as at 4 September 2015.

14. CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 30 June 2015.

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

15. EVENTS AFTER THE REPORTING DATE

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

16. RESULTS FOR THE PERIOD

Key points to note in relation to the Group's result are:

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

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

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

- i) Acquisitions (+$3m);
- ii) Re-assessment of fair value of deferred consideration liabilities and re-assessment of intangible and other asset valuations (net +$5.8m);

Notes to the Financial Statements (unaudited)

iii) Net incremental margin arising from organic growth (+$3.1m).

partially offset by:

iv) One off IPO costs and acquisition related costs taken to the Statement of Profit or Loss (-$4.4m);
v) Increased corporate costs associated with operating as a publically listed entity (-$1m).

A separate analysis of the results and statement of financial position on a pro-forma basis, for comparison to prospectus estimates, can be found in the accompanying market presentation.

17. DESCRIPTION OF ANY LIKELY DISPUTE OR QUALIFICATION

The financial report is not likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph.