ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

Appendix 4E

Year Ended 30 June 2016

Lodged with the ASX under Listing Rule 4.3A

30 August 2016

The following information should be read in conjunction with the attached Annual report.

1. DETAILS OF REPORTING PERIODS:

The current reporting period is the 12 months to 30 June 2016. The previous corresponding reporting period was for the 12 months to 30 June 2015. 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).

2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

Results:

		Change %	Change	Amount $'000
Revenue from ordinary activities*	Down	7.6%	To	280,232
Loss from continuing operations after tax	Down	more than 100%	To	(66,978)
Loss from discontinued operations after tax	Down	more than 100%	To	(2,648)
Loss from ordinary activities after tax attributable to members	Down	more than 100%	To	(69,626)
Loss for the year attributable to members	Down	more than 100%	To	(69,626)

*Excludes discontinued operations

Refer to Chairman and Managing Director's review and separate results presentation for commentary on the results.

Control gained over entities:

Not applicable.

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 – 2015	4 September 2015	25 September 2015	4.1	4.1

No dividends were declared or paid in relation to the year ended 30 June 2016.

Additional Information:

	2016	2015
Net tangible assets / (liabilities) ($)	13,363,587	28,337,653
Shares on Issue	150,000,000	150,000,000
Net tangible assets / (liabilities) per share ($)	**0.09**	**0.19**

Audit qualification or review:

The audited financial statements are attached.

Stewart Cummins

Managing Director

Sydney, 30th August 2016

ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE

ANNUAL REPORT 2016

Ashley Services Group Limited Annual Report 2016

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

Chairman and Managing Director's Review

MR IAN PRATT AND MR STEWART CUMMINS

Over the past 6 months significant progress has been made in strategically realigning the business. The changes in strategy have been evolutionary in nature and are being progressively implemented across five key areas.

Firstly, the Company is committed to its integrated "jobs and skills" business model as this provides a clear differentiation in the market relative to our competitors – allowing us to leverage the twin benefits of work opportunities across a wide range of customers and industries, and high quality job-seeker, upskill and reskill training.

Secondly, in terms of key geographies, the Company has maintained its national footprint, however greater sales focus has been concentrated in the New South Wales, Victorian and Western Australian markets. The Company has also consolidated its International operations under the SILK brand focusing on East Coast markets and discontinuing its operations in Perth.

Thirdly, the training products being offered have been revised and updated with more emphasis placed on diversification – striving to better balance revenue earned from government-funded training programs with more corporate sales. The target is to move from a circa 75/25 proportion to 50/50 over the next few years.

Fourthly, steps have been taken to streamline back office processing for the training business (Ashley Institute of Training; Integracom; and SILK) into 4 state-based centres of excellence to ensure best practice management of state government funding contract obligations. There has also been a restructuring of senior training manager roles in order to reduce costs.

Fifthly and finally, to ensure alignment between the business plan and capital structure, the Company's debt facilities have been renegotiated and re-sized to fit with current business activity and funding needs.

We still have work to do but the fundamentals of the business are sound and the process to restore sustained profitability is well on track.

The business plan is built around 3 key initiatives:

1. Accelerate growth in the Labour Hire Division

New customer relationships have been signed in the logistics and warehousing sector, and with several large construction engineering companies.

Chairman and Managing Director's Review

Our white collar recruitment business has traditionally engaged a multi-service model where its consultants manage both internal and external recruitment assignments. From 1 July 2016 all internal assignments are now handled by dedicated staff, allowing the other staff to be singularly focused on growing our external recruitment for temporary and permanent placements. Early signs are promising with new recruitment consultants joining the team, a flurry of new assignments from existing, valued customers, and a robust pipeline of business from new customers.

2. Turnaround of the Training Division

The Training Division had grown too broad and so over 2016 we have:

- Rationalised the number of qualifications to better reflect where our experience and current business is focusing.
- Consolidated our industry groups from 23 to 6, enabling a clearer focus and definition of core markets. These 6 groups are: Food and Agriculture; Telco and Security; Hospitality; Aged Care, Children's Services and Community Services; Industrial and Logistics; and Business Management (Sales, Customer Services, Leadership and Management).
- Grown our sales teams in Sydney and Melbourne to harness the greater growth in these two major markets, with a particular emphasis on corporate market opportunities.

This will be an ongoing process over the next 12 months.

3. Strengthen IT business support platform

Being a human services and IP business, it is important that all our staff have good access to information. Much work has been undertaken during 2016 in order to establish a single Student Management System. We have also launched a new Customer Relationship Management system in the Training Division and a new candidate management system for the white collar recruitment business.

DISCUSSION ON RESULTS

Earnings and result

Earnings

Net profit after tax ("**NPAT**") for the financial year of the Group was a loss of $69.6 million (2015: $13.7 million profit). This loss includes:

1. a $66.0 million after tax expense for impairment of intangible assets,
2. a $2.6 million after tax loss from the Cantillon operations in Perth, Western Australia, partially offset by
3. a $3.5 million after tax income arising from reassessment of the fair value of deferred consideration liabilities for future earn outs payable in relation to prior period acquisitions.

During the final quarter of the financial year, the Board approved an orderly exit from the International student business in Perth, Western Australia. This business was originally acquired through the Cantillon acquisition in September 2014. The Group is fulfilling its obligations for the remaining students and working with third parties to sub-let three separate properties associated with the business. The $2.6 million after tax loss represents the trading loss incurred during the financial year ($0.9 million after tax), together with the costs of exit ($1.7 million), which primarily represents the discounted cost of the future lease obligations.

Chairman and Managing Director's Review

Revenues

Revenue from continuing operations at $280.8 million decreased $23.3 million (8%) from the prior period.

Labour hire revenues decreased $12.4 million to $248.6 million, driven by timing of account wins versus losses (-$10 million) and reduced revenues with engineering customers (-$2 million).

Training revenues decreased $10.8 million to $32.2 million. Total revenues from South Australia and Tasmania declined $3.4 million, following the uneconomic changes to public funding in those states. Queensland revenues declined $6.7 million due partly to changes to the Job Service Provider network, effective 1 July 2015, which impacted Ashley's public market, but also completion of prior period corporate training contracts, which were not replaced.

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

Statutory EBITDA (excluding discontinued operations) was a loss of $69.9 million (2015: profit of $23.4 million). The current year result includes a $66.0 million loss from impairment of intangibles assets, partially offset by a $3.5 million benefit from reassessment of the fair value of deferred consideration payable in relation to prior period acquisitions.

	FY16 $million	FY15 $million
Statutory EBITDA[1]	**(69.9)**	**23.4**
Reassessment of value of deferred consideration liabilities	(3.5)	(7.8)
Impairment of Intangible assets/other assets	66.0	0.9
Pre acquisition EBITDA for Integracom and exclusion of SILK post acquisition profit	-	(0.4)
IPO and acquisition related costs taken to income statements	-	4.6
Net underlying adjustments	**62.5**	**(2.7)**
Underlying EBITDA	**(7.4)**	**20.7**

NOTES:

1. EBITDA is a non IFRS measure used internally by management to assess the performance of the business. It has been derived from the IFRS figures in the financial report.

Excluding these adjustments, underlying EBITDA for the current period was a $7.4 million loss (2015: profit of $20.7 million) comprising:

a. Labour hire. EBITDA of $4.9 million was $4.1 million below the prior period. The prior period margin benefited from lower workers compensation costs. Current period margin was 2.0%, driven lower due to competitive pressures.

b. Training. The EBITDA loss was $6.6 million (2015: $14.3 million profit). The majority of revenue shortfall flowed to margin, because training cost reductions lagged the volume drop. Also, overheads increased significantly for the year, due mainly to additional sales and marketing costs incurred to pursue growth initiatives and to utilise Smart and Skilled funding in NSW and VET FEE HELP funding nationally.

c. Corporate costs at $5.7 million were $3.1 million above the prior period. Management costs increased, with additional COO/CEO costs from December 2015 and the CFO included for the full year. Marketing costs increased to assist diversification of training revenues, IT costs increased with key core systems being upgraded and legal fees increased.

Chairman and Managing Director's Review

Statement of financial position

The Group balance sheet has been heavily impacted by the combined impacts of:

a. $66 million of impairment charges;
b. $7.4 million of current period trading losses, primarily in the first half; and
c. payout of the $6.15 million FY15 final dividend.

Consequently, net assets were $27.1 million at 30 June 2016, down from $102.9 million at 30 June 2015.

As at 30 June 2016, the Group had $17 million of facilities with Bankwest Limited, comprising a $15 million working capital facility, and $2 million in bank guarantee and credit card facilities. The bank has fixed and floating charges over the Group's assets.

As at 30 June 2016, the working capital facility was undrawn (30 June 2015, nil).

Cash Flow

There was a strong operating cash inflow (after capex) of $7.4 million during the second half of 2016 (1H16: $12.0 million operating cash outflow) reflecting improved underlying EBITDA trading results, a 60% reduction in capital expenditure, and seasonality of working capital. Changes to capital expenditure were predominantly focused on winding back the planned expansion of the international student business in Perth, and did not inhibit investment in the Company's core labour hire and training markets.

Over the full year there was a net outflow of $10.9 million as a result of the $4.6 million operating cash outflow (after capex) and the final dividend payment for FY15 of $6.2 million.

DIVIDEND

During the financial year ended 30 June 2016, the Group paid a final dividend of $6.15m on 25 September 2015 which represents a payment of 4.1 cents per share. The Directors did not declare any dividends in respect of the financial year ended 30 June 2016.

FUNDING UPDATE

Subsequent to year end, the Company has revised its funding arrangements by establishing an 'evergreen' invoice discount facility with a Big 4 bank at competitive rates and reduced the BankWest debt facility from $15 million to $10 million in August 2016, with a plan to wind this down to $5 million over the next 4 months. This will provide the Company with equivalent liquidity at comparable cost to the previous $15 million facility. The term of the BankWest facility is unchanged (still 29 October 2017) and includes a similar covenant package, albeit financial measures have been re-set to the Company's current business plan.

EVENTS SUBSEQUENT TO BALANCE DATE

On 19 August 2016 the Company served legal proceedings filed in the Supreme Court of New South Wales against Holmes Management Group Pty Limited, the vendor of the Integracom telecommunications training business acquired in August 2014. These proceedings relate to alleged breaches of warranties under the Unit Sale and Purchase Agreement for the acquisition. It is not possible at this time to quantify the likely financial impact of these proceedings.

Chairman and Managing Director's Review

LEVERAGING THE KEY STRENGTHS OF THE BUSINESS

Through its 5 main trading brands, Ashley Services Group has built a strong market position as the leading "jobs and skills" company in Australia.

We have a talented and dedicated team across our various businesses. We would like to thank our people for their commitment to service our customers and to ensure that Ashley Services Group retains its mantle as a high quality serviceprovider.

Ian Pratt
Chairman

Stewart Cummins
Managing Director

Directors' Report

The Directors present their annual financial report on the consolidated entity, being Ashley Services Group Limited and its controlled entities ("**Group**") for the financial year ended 30 June 2016.

GENERAL INFORMATION

a. Directors

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

Table 1: Director Details

Names		Appointed / Resigned
Mr Ian Pratt	Chairman	Appointed 1 October 2015
Mr Ross Shrimpton	Non-Executive Director	Appointed 12 October 2000
Mr Stewart Cummins	Managing Director	Appointed 15 February 2016
Mr Marc Shrimpton	Executive Director	Appointed Alternative Director on 31 July 2014, then appointed Director 1 October 2015
Mr Peter Turner	Chairman	Appointed 21 July 2014 and resigned 1 October 2015
Mr Simon Crean	Non-Executive Director	Appointed 31 July 2014 and resigned 1 October 2015
Mr Vincent Fayad	Non-Executive Director	Appointed 31 July 2014 and resigned 1 October 2015

Directors' Information

Mr Ian Pratt | Non-Executive Chairman (since 1 October 2015)

Qualifications | CA

Experience | Mr Ian Pratt has over 40 years' experience in the accounting profession and is a Director of a number of Public and Private companies. During this time, he has been involved in the recruitment, finance and property industries, and advises on income tax and related matters. Currently Mr Pratt is a Partner at Trood Pratt & Co Chartered Accountants and he is a Director of Charter Hall Direct Property Management Limited (formerly Macquarie Direct Property Management Limited). Mr Pratt is a Member of Chartered Accountants Australia and New Zealand.

Ian is the Chairman of the Nominations, Audit & Risk Management and Remuneration Committees.

Mr Stewart Cummins | Managing Director (since 15 February 2016)

Qualifications | B.Ec (MAC), Master of Management (MGSM), FCA

Experience | Stewart was appointed Chief Operating Officer of Ashley Services Group in December 2015 and became Managing Director and Chief Executive Officer (CEO) in February 2016. Prior to this, Stewart has had broad business experience across several sectors, having been the CEO at Vocation Limited (ASX:VET), the CFO of Transpacific Industries Group Ltd (ASX: TPI), and Finance Director at TNT Express N.V. in Australia, New Zealand and the Pacific Islands. Stewart has also held senior financial roles with Caltex Australia, Dairy Farmers, Multiplex and Arthur Andersen over the past 25 years.

Stewart is a Fellow of Chartered Accountants Australia & New Zealand and a Graduate Member of the Australian Institute of Company Directors.

Directors' Report

Mr Ross Shrimpton | Non-Executive Director (from 15 February 2016, Executive Director to 15 February 2016)

Qualifications | BComm (UNSW), CA

Experience | Ross is the founder and former Managing Director of Ashley Services Group. Ross has been a Director of the Company since incorporation and has been instrumental in the overall growth and strategic direction of Ashley Services.

He is a Chartered Accountant with over 40 years' experience in finance and management across a number of large international organisations such as CSR / Humes and David Brown. Ross commenced his professional career with Deloitte Touche Tohmatsu, where he worked with a number of major listed companies. Overall, Ross has had 20 years of relevant experience in the labour hire and training industries.

Ross is a member of the Nominations Committee, Audit & Risk Management and Remuneration Committees.

Mr Marc Shrimpton | Executive Director (from 1 October 2015)

Qualifications | Member of the Australian Institute of Company Directors. Dip of Management and Leadership, Cert IV in Workplace Training and Assessment. Graduate of the Owner / President Management program at Harvard Business School, Boston.

Experience | Marc joined Ashley Services Group in 2000 and has been the key driver of Blackadder, a professional labour hire and recruitment services business since it was acquired in 2007.

Prior to the acquisition of Blackadder, Marc held a number of positions within Ashley Services Group, including state manager roles in the Labour Hire and Training business and has over 16 years relevant industry experience.

Marc is a member of the Nominations Committee, Audit & Risk Management and Remuneration Committees.

Interests in shares and options

As at the date of this report, the interests of the directors in the shares of Ashley Services Group Limited were:

Table 2: Shares Held by Directors

Names	Number of Shares Held	Shareholding %
Mr Ian Pratt	15,060	0.01
Mr Ross Shrimpton[1]	86,046,305	57.36
Mr Stewart Cummins	600,000	0.40
Mr Marc Shrimpton	1,917,423	1.28

Note:

1. This includes shares owned by Ross Shrimpton (9,857), Catherine Shrimpton (wife of Ross Shrimpton, 60,858,282), their family companies (22,178,166) and shares purchased on behalf of Dean and Andrew Shrimpton (1,500,000 and 1,500,000 respectively). It excludes shares held non-beneficially in trust on behalf of Holmes Management Group Pty Limited (6,024,096).

Directors' Report

Directorships of other listed companies

Directorships held in other listed companies by the Directors in the three years immediately before the end of the financial year are as follows:

Table 3: Other Directorships of listed entities

Name	Company	Date from	Date to
Mr Ian Pratt[1]	Nil	-	-
Mr Ross Shrimpton	Nil	-	-
Mr Stewart Cummins[2]	Vocation Limited	1 May 2015	16 December 2015
Mr Marc Shrimpton	Nil	-	-
Mr Peter Turner[3]	Virtus Health Limited (ASX: VRT)	17 May 2013	Current
Mr Simon Crean[3]	Nil	-	-
Mr Vincent Fayad[3]	Greenvale Energy NL (ASX: GRV) Medibio Limited (ASX: BPO) formerly BioProspect Limited (ASX: BPO) Esperance Minerals Limited (ASX: ESM)	31 October 2014 29 April 2014 1 February 2013	Current 7 April 2015 12 August 2015

Note:

1. Mr Ian Pratt was appointed a Director on 1 October 2015.
2. Mr Stewart Cummins was appointed Managing Director and CEO on 15 February 2016.
3. Messrs Turner, Crean and Fayad resigned as Directors on 1 October 2015.

a. Principal activities

The principal activities of the Group during the financial year were the provision of labour hire (including recruitment) and training services.

There have been no significant changes in the nature of the Group's principal activities during the financial year.

b. Company secretary

Mr Ron Hollands held the position of Company Secretary for the entire financial year.

Ron is a qualified Chartered Accountant and holds a Bachelor of Business from University of Technology, Sydney, an MBA from MGSM and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia.

Ron has over 25 years' experience in a range of industries including professional practice, financial services and real estate.

c. Directors' meetings

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

Directors' Report

Table 4: Meeting Attendance

	Board Meetings		Audit & Risk Management Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	Held[5]	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Ian Pratt[1]	7	7	2	2	2	2	3	3
Mr Ross Shrimpton	14	14	2	2	2	2	3	3
Mr Marc Shrimpton[2]	7	7	2	2	2	2	3	3
Mr Stewart Cummins[3]	4	4	N/A	N/A	N/A	N/A	N/A	N/A
Mr Peter Turner[4]	5	5	3	3	1	1	-	-
Mr Simon Crean[4]	5	5	3	3	1	1	-	-
Mr Vince Fayad[4]	5	5	3	3	1	1	-	-

Note:

1. Ian Pratt was appointed a director on 1 October 2015.
2. Marc Shrimpton was alternate director for Ross Shrimpton from 31 July 2014 until he became a director on 1 October 2015.
3. Stewart Cummins was appointed a director on 15 February 2016.
4. Messrs Turner, Crean and Fayad resigned as directors on 1 October 2015.
5. Meetings held during the period the individual held office.

2. BUSINESS REVIEW

a. Operating results

The consolidated loss of the Group attributable to equity holders after providing for income tax amounted to $69,626,000 (2015: profit of $13,676,000).

The Group did not declare any dividends in relation to the year ended 30 June 2016.

On 17 August 2015, the Group declared a final fully franked dividend for the year ended 30 June 2015 of 4.1 cents per share ($6,150,000) payable to shareholders on 25 September 2015 based on a record date at 4 September 2015.

b. Review of operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Chairman and Managing Director's Review.

c. Future developments

Likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations are referred to generally in the Chairman and Managing Director's Review.

d. Events subsequent to reporting date

There have been no matters or circumstances that have arisen since the end of the year that would have significantly affected the group's operations in financial year 2016, except as follows:

Subsequent to year end, the Company has revised its funding arrangements by establishing an 'evergreen' invoice discount facility with a Big 4 bank at competitive rates. The BankWest debt facility reduced from $15 million to $10 million in August 2016, and will be reduced to $5 million over the next 4 months. This will provide the Company with equivalent liquidity at comparable cost to the previous $15 million facility. The term of the BankWest facility is unchanged (still 29 October 2017) and includes a similar covenant package, albeit financial measures have been re-set to the Company's current business plan. Key terms of the revised facility agreement are outlined in Note 15 to the financial statements.

In addition, on 19 August 2016 the Company served legal proceedings filed in the Supreme Court of New South Wales against Holmes Management Group Pty Limited, the vendor of the Integracom telecommunications training business acquired in August 2014. These proceedings relate to alleged breaches of warranties under the Unit

Sale and Purchase Agreement for the acquisition. It is not possible at this time to quantify the likely financial impact of these proceedings.

e. Potential Litigation

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

The Group has ceased discussions with IMF Bentham in relation to its proposed class action. No legal proceedings have been served.

3. OTHER INFORMATION

a. Options

There are no unissued ordinary shares that are either under option at the date of this report or have been exercised during the year.

During the year, the Group issued 1,561,688 Performance Rights to senior executives under the terms of the FY16 Long term incentive (LTI) plan. A summary of these terms can also be found in section 4 of this Directors' report.

b. Non-audit services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Grant Thornton did not provide any non-audit services during the year ended 30 June 2016.

Details of the amounts paid to the auditor (Grant Thornton) for audit services provided during the year are outlined in Note 4 to the financial statements.

c. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307c of the *Corporations Act 2001* is set out on page 24 and forms part of this report.

d. Environmental issues

The Group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

e. Indemnifying officers or auditors

Insurance of officers

During the financial year, Ashley Services Group Limited paid a premium to insure the directors, secretaries and officers of the Group and its Australian entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings.

This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Group or of any related body corporate against a liability incurred as such an officer or auditor.

Details of the premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

f. Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

g. Rounding off of amounts

In accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

4. REMUNERATION REPORT – AUDITED

The directors of Ashley Services Group Limited present the remuneration report for Non-Executive Directors, Executive Directors and other key management personnel, prepared in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*.

The remuneration report is set out in the following main headings:

- key management personnel;
- principles used to determine the nature and amount of remuneration;
- Non-Executive Director remuneration;
- details of remuneration;
- executive service agreements;
- share-based compensation; and
- additional information.

a. Key management personnel

The following persons acted as Directors of the Group or as key management personnel during the financial year:

Executive Directors:

- Ross Shrimpton (to 15 February 2016)
- Stewart Cummins (from 15 February 2016); and
- Marc Shrimpton (from 1 October 2015)

Non-Executive Directors:

- Ross Shrimpton (from 15 February 2016)
- Peter Turner (until 1 October 2015);
- Simon Crean (until 1 October 2015);
- Vince Fayad (until 1 October 2015); and
- Ian Pratt (from 1 October 2015).

Other key management personnel:

- Stewart Cummins (Chief Operating Officer, from 15 December 2015 to 15 February 2016)
- Paul Brittain (Chief Financial Officer);
- Brett O'Connor (General Manager, Training); and
- Paul Rixon (General Manager, Labour Hire).

Key management personnel include both the Directors and other key management personnel named above.

b. Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure that reward for performance is competitive and appropriate for the results delivered. The framework seeks to align executive reward with achievement of strategic objectives and the creation of value for shareholders.

The Board seeks to ensure that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency; and
- capital management.

Alignment of shareholders' interest

- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering a return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracts and retains high-calibre executives.

Alignment to program participants' interests

- rewards capability and experience;
- provides a clear structure for earning rewards; and
- provides recognition for contribution to the business.

The framework provides a mix of fixed and variable pay, and a blend of short and long-term incentives.

The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for executives and Directors. The Corporate Governance Statement provides further information on the role of this committee.

Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives, provided in cash; and
- long-term incentives provided through participation in the Ashley Services Group Performance Rights Share Plan.

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

Directors' Report

Table 5: Key components of senior executive remuneration framework in place during the year ended 30 June 2016.

Remuneration Elements		
Fixed Remuneration/Base Pay	**Short Term Incentive (STI)**	**Long Term Incentive (LTI)**
• Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience, the broad objective being to pitch fixed remuneration at median market levels.	• 'At risk' award opportunity for the achievement of annual performance objectives linked to annual financial targets and non financial goals set by individual.	• 'At risk' award opportunity for the achievement of performance hurdle over a three year measurement period.
• Base pay is structured as a package, which may be delivered as a mix of cash and other benefits, such as the provision of a motor vehicle, at the executive's discretion.	• Financial targets in line with budgets set for the individual's area of influence for the financial year, coupled with non financial key performance measures.	• Two performance hurdles: i) 50% relates to achieving 10% compound annual growth rate in Earnings Per Share (EPS) with Proforma EPS for the year ended 30 June 2015 as the base for year 1 of the three year period. ii) 50% relates to Total Shareholder Return (TSR) which measures share price performance of ASH versus a comparator group of 20 companies.
• There are no guaranteed base pay increases in any executives' employment contracts.	• Paid in cash within 30 days of finalisation of Audited Annual Report.	• No value is derived unless the Group exceeds the EPS growth measure or TSR is 1st or 2nd quartile versus the comparator group.
		• Vesting is 50% at the end of year 3 and 50% at the end of year 4, provided the 3 year performance hurdles were met and the executive is still employed at the date of vesting.
		• Grant of equity awards aligns shareholder and executive interests, enhances retention of key talent and focuses executives on long term sustainable business performance.

Directors' Report

Table 6: Key features of the senior executive STI plan for FY16

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

Table 7: Key features of the senior executive FY16 LTI plan

Overview of the LTI plan for FY16	
Who participates in the Senior Executive LTI?	Senior executives, including the CEO, participate in the senior executive LTI plan.
What was awarded under the LTI plan in FY16?	On 25 September 2015 senior executives received an LTI award of 1,561,688 performance rights, the vesting of which is subject to the performance condition outlined below. The number of rights awarded was calculated by dividing the remuneration value of the award by the volume weighted average price of ASH shares for the 5 day trading period prior to the approval to grant their award.

Directors' Report

Overview of the LTI plan for FY16	
Performance conditions	
What are the performance conditions?	Senior executive LTI awards are earned only upon achievement of the following performance hurdles: • Earnings Per Share growth (EPS): 50% of the LTI grant • Total Shareholder Return (TSR): 50% of the LTI grant
Over what period is performance measured?	The Board has determined that the LTI plan will be subject to the performance condition over a three year period, commencing 1 July 2015.
How are the performance conditions assessed? Performance condition 1) EPS	Absolute EPS performance condition - measured as the compound annual underlying EPS growth over the 3 year performance period. The EPS target is:

EPS	EPS Target
Actual proforma EPS for the financial year ended 30 June 2015	8.7 cents
10% growth FY16	9.6 cents
10% growth FY17	10.5 cents
10% growth FY18	11.6 cents

If actual EPS for the year ended 30 June 2018 exceeds 11.6 cents per share, 50% of the performance rights granted to each employee will vest as follows:

50% of performance rights granted to each employee vest at the end of the third year (25 September 2018)

The remaining 50% vest at the end of the fourth year (25 September 2019), provided the executive is still employed at this vesting date.

Performance condition 2) TSR

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

TSR is measured by the change in value of the ASH's cumulative TSR over the performance period compared to the TSR performance of the comparator group over the 3 year performance period.

If actual TSR for ASH is top quartile for the 3 year performance period, 50% of the performance rights granted to each employee will vest. If actual TSR for ASH is 2nd quartile for the 3 year performance period 25% of the performance rights granted to each employee will vest. If actual TSR for ASH is below 2nd quartile, none of the performance rights attributed to this performance hurdle will vest.

Vesting of TSR related performance rights is as follows:

50% of performance rights granted to each employee vest at the end of the third year (25 September 2018)
The remaining 50% vest at the end of the fourth year (25 September 2019), provided the executive is still employee at this vesting date.

Directors' Report

Overview of the LTI plan for FY16	
Why were the performance measures chosen?	The Board considers two performance conditions to be appropriate because they ensure that a proportion of each executive's remuneration is linked to the generation of profits (expressed on a per share basis) and shareholder value through the combined application of both absolute and relative performance criteria. In particular, the use of a relative TSR based hurdle: • Ensures alignment between comparative shareholder return and reward for the executive; and • Provides a relative, external market performance measure, having regard to those companies with which the Group competes for capital, customers and talent. An absolute underlying EPS growth based hurdle: • Links executive reward to a fundamental indicator of financial performance that is directly connected to shareholders; and • Links directly to ASH's long term objectives of improving and maintaining earnings performance. The use of dual performance measures combines a strong external market based focus through share price growth and dividends (TSR), and a non-market based internal measure aimed at driving improved Company earnings results (EPS).
Is performance subject to retesting?	No, retesting of performance is not permitted.
Who assesses performance against targets?	The Remuneration Committee based on financial information (EPS measure) and share price performance (the TSR measure).
Does the executive receive dividends and voting rights on unvested awards?	No, there are no voting rights or entitlements to dividends on unvested awards under the LTI plan.
Cessation of employment and change of control	
What happens in the event of a change of control?	Upon a change of control event, the Board may determine to vest some or all of the LTI awards. In making this determination, the Board will consider all relevant circumstances, including the performance against the EPS measure up to the date of the change of control event and the portion of the performance period that has expired.
What happens in the event of cessation of employment?	In general, unvested LTI awards are forfeited. In limited circumstances, such as upon a senior executive's death, serious injury or incapacity during the performance period or other reason approved by the Board, any unvested performance shares will vest at the end of the performance period if the relevant performance conditions have been satisfied.

STI and LTI plans for the financial year ended 30 June 2017

The remuneration committee has approved a similar Short Term Incentive (STI) plan for the year ended 30 June 2017, based upon budget targets for that annual period.

In light of the loss for the financial year ended 30 June 2016 and reduced share price, the Board and the Remuneration Committee have temporarily suspended the LTI scheme. There will be no award of performance rights to senior executives in relation to the year ended 2017.

c. Non-executive Director remuneration and Board performance review

Non-executive Directors' remuneration are reviewed annually and are determined by the Board based on recommendations from the Remuneration Committee. In making its recommendations, the Remuneration Committee takes into account remuneration paid to other non-executive Directors of comparable companies and where necessary will seek external advice. No remuneration consultants were used during the financial year.

In accordance with the Company's Constitution, the Directors are entitled to receive an annual fee and for participation in Board sub-committees. For non-executive Directors, fees are not linked to performance.

The Company does not operate equity plans for non-executive Directors.

Non-executive Directors are entitled to statutory superannuation included as part of their Directors' fees. There are no other schemes for retirement benefits for non-executive Directors.

No review of the Board's performance occurred in the financial year ended 30 June 2016.

d. Details of remuneration

Details of remuneration of the Directors and other key management personnel of Ashley Services Group are set out in the tables on pages 19 to 21.

The key management personnel of Ashley Services Group are listed on page 13. The key management personnel have authority and responsibility for planning, directing and controlling activities of the Group.

Remuneration and other terms of employment for the Executive Directors and other Key Management Personnel are formalised in a service agreement. The major provisions of the agreements relating to remuneration are set out below:

Table 8: Executive and Key Management Personnel Service Agreements

Name	Base Salary $[1]	Target STI %[2]	Target LTI %[2, 3]	Term of agreement	Notice Period
Stewart Cummins	600,000	50	25	Ongoing	6 months
Marc Shrimpton	275,000	50	30	Ongoing	6 months
Paul Brittain	450,000	50	50	Ongoing	6 months
Brett O'Connor	275,000	50	50	Ongoing	6 months
Paul Rixon	275,000	50	50	Ongoing	6 months

Note:

1. Base salary includes superannuation contributions.
2. Maximum annual award as a percentage of annual salary.
3. This plan has been suspended for the year ended 30 June 2017.

Directors' Report

Table 9: 2016 – Remuneration of Key Management Personnel

2016	ST[1] employee benefits			PE[2] benefits	LT[3] employee benefit	Total[4]	Performance based Remuneration
	Cash salary & fees	Salary non-cash	ST[1] employee bonus	Super-annuation			
Name	$	$	$	$	$	$	%
Non-executive Directors							
Ian Pratt[5, 7]	113,014	-	-	10,736	-	**123,750**	
Ross Shrimpton	134,962	-	-	9,051	-	**144,013**	-
Peter Turner[6]	35,388	-	-	3,361	-	**38,749**	-
Simon Crean[6]	25,114	-	-	2,386	-	**27,500**	-
Vincent Fayad[6]	20,548	-	-	1,952	-	**22,500**	-
Executive Director							
Stewart Cummins[8]	278,259	-	-	22,490	-	**300,749**	-
Marc Shrimpton	255,692	-	-	19,308	-	**275,000**	-
Other key management personnel							
Brett O'Connor	366,415	-	-	19,308		**385,723**	-
Paul Rixon	255,692	-	-	19,308		**275,000**	-
Paul Brittain	421,192	-	-	28,808		**450,000**	-
Total	**1,906,276**	**-**	**-**	**136,708**		**2,042,984**	

Note:

1. ST – Short-term.
2. PE – Post-employment.
3. LT – Long-term. Details of the long term incentive plan are included in the Directors' report, pages 15 to 18. Management have assessed the probability of the performance hurdles for the 2015 and 2016 plans being met as nil and no expense has been recognised in the profit and loss account for the year ended 30 June 2016.
4. Amounts included in the above table include amounts paid to key management from all entities.
5. During the year tax advisory fees have also been paid to Trood Pratt & Co (Company in which Ian Pratt is a Partner).
6. Ceased as Directors 1 October 2015 and included to that date.
7. Commenced as Director 1 October 2015 and inclusive from that date.
8. Stewart Cummins commenced as Chief Operating Officer on 14 December 2015 and moved to Executive Director on 15 February 2016. These amounts represent remuneration from the date he commenced with the Group, rather than the date he was appointed Director.

Directors' Report

Table 10: 2015 – Remuneration of Key Management Personnel

2015	ST[1] employee benefits				PE[2] benefits	LT[3] employee benefit	Total[4]	Performance based Remuneration
Name	Cash salary & fees $	Salary non-cash $	ST[1] employee bonus $	IPO Bonus[8] $	Super-annuation $	$	$	%
Non-executive Directors								
Peter Turner	132,751	-	-	120,001	12,414	-	**265,166**	-
Simon Crean	93,116	-	-	74,998	8,846	-	**176,960**	-
Vincent Fayad[5]	74,655	-	-	-	7,092	-	**81,747**	-
Executive Director								
Ross Shrimpton	263,165	-	-	-	17,725	-	**280,890**	-
Marc Shrimpton	243,789	-	-	-	18,058	-	**261,847**	-
Andrew Shrimpton	231,547	10,753	67,824	2,707	19,506	-	**332,336**	**20**
Other key management personnel								
Brett O'Connor	384,994	-	100,000	137,501	17,958	-	**640,454**	**16**
Paul Rixon	241,254	17,474	71,924	137,501	19,242	-	**487,396**	**15**
Paul Brittain[6]	245,709	-	-	-	10,957	-	**256,666**	-
John Knights[7]	54,001	-	-	400,000	4,652	-	**458,653**	-
Total	**1,964,982**	**28,227**	**239,748**	**872,708**	**136,450**	**-**	**3,242,115**	

Note:

1. ST – Short-term.
2. PE – Post-employment.
3. LT – Long-term. Details of the long term incentive plan are included in the Directors report, pages 15 to 18. Management have assessed the probability of the performance hurdle for the 2015 plan being met as nil and no expense has been recognised in the profit and loss account for the year ended 30 June 2015.
4. Amounts included in the above table include amounts paid to key management from all entities.
5. During the year financial advisory fees have also been paid to PKF Lawler Corporate Finance (Company in which Vincent Fayad is a Director). These include payments for the period to 30 November 2014, during which Vince was both a Director and the Interim Chief Financial Officer.
6. Commenced employment and included as KMP from 1 December 2014.
7. Resigned 31 August 2014.
8. Mr Turner and Mr Crean received payments of $120,001 and $74,998 respectively for services rendered as part of the IPO process. John Knights, Andrew Shrimpton, Brett O'Connor and Paul Rixon received bonuses at the time of the IPO for past services rendered.

Other transactions with key management personnel

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

e. Shares held by key management personnel

The number of ordinary shares in the Company during the 2016 reporting period held by each of the Group's key management personnel, including their related parties are set out below:

Directors' Report

Table 11: Shares held by Key Management Personnel

Name	Balance at start of the year	Shares Purchased	Balance at end of the year
Ian Pratt[2]	15,060	-	**15,060**
Ross Shrimpton[1]	85,248,940	797,365	**86,046,305**
Stewart Cummins[2]	-	600,000	**600,000**
Marc Shrimpton	1,688,000	229,423	**1,917,423**
Brett O'Connor	41,416	6,024	**47,440**
Paul Rixon	41,416	-	**41,416**
Paul Brittain	18,000	-	**18,000**
Total	**87,052,832**	**1,632,812**	**88,685,644**

Note:

1. This includes shares owned directly by Ross Shrimpton (9,857), Catherine Shrimpton (wife of Ross Shrimpton, 60,858,282), their family companies (22,178,166) and shares purchased on behalf of Andrew (1,500,000) and Dean Shrimpton (1,500,000). It excludes shares held non-beneficially in trust on behalf of Holmes Management Group Pty Limited (6,024,096).
2. Ian Pratt was appointed a director on 1 October 2015. Stewart Cummins was appointed a director on 15 February 2016.

f. Executive service agreements

On appointment to the Board, all non-executive Directors sign a letter of appointment with the Company. The letter summarises the terms including compensation, relevant to the office of Director.

All contracts with executives may be terminated by either party with a notice period as outlined in Table 8. Executives are typically restricted for twelve months after termination from conducting or engaging in competing businesses and from solicitation of customers and employees of the Company.

g. Share-based compensation

Senior Executive Share Plan

The Company established the Performance Rights Share Plan on 31 July 2014. The Performance Rights Share Plan is intended to provide incentives to attract motivate and retain key executives whose present and potential contributions are important to the success of the Group by offering them an opportunity to participate in ownership of the Company. The Performance Rights Share Plan is administered by the Board in its discretion. The terms and conditions of the Performance Rights Share Plan are summarised below.

During the financial year the Board issued 1,561,688 performance rights (2015: 380,787).

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

Table 12: Performance Rights held by Executive Directors and Key Management Personnel

Name	Balance at start of the year	Performance Rights Granted[1]	Balance at end of the year
Ross Shrimpton	-	-	-
Stewart Cummins	-	-	-
Marc Shrimpton	49,699	157,143	206,842
Brett O'Connor	120,482	428,571	549,053
Paul Rixon	82,831	261,905	344,736
Paul Brittain	73,755	428,571	502,326
Total	**326,767**	**1,276,190**	**1,602,957**

Note:

1. Rights granted 25 September 2015 at 52.5 cents per right, corresponding to the weighted average price of ASH shares for the 5 days prior to the grant date.

Directors' Report

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

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

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

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

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

Management have assessed the probability of the performance hurdles for the 2015 and 2016 plans being met as nil and no expense has been recognised in the profit and loss account for the year ended 30 June 2016.

End of audited Remuneration Report.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 298(2) of the *Corporations Act 2001*

Ian Pratt

Chairman

Sydney, 30th August 2016

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Auditor's Independence Declaration
To the Directors of Ashley Services Group Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Ashley Services Group Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 30 August 2016

Corporate Governance Statement

A Corporate Governance Statement has been adopted by the Board on 30August 2016 and can be found at

http://www.ashleyservicesgroup.com.au/investor-centre/corporate-governance/

The Board has adopted a suite of governance materials which are available in the Corporate Governance section of the Company's website (www.ashleyservicesgroup.com.au), under "Investor Centre". The governance materials have been prepared and adopted on the basis that corporate governance procedures can add to the performance of the Company and the creation of shareholder value, and help to engender the confidence of the investment market.

Diversity

To date, the board or a committee have not set measurable objectives for achieving gender diversity and to assess annually both the objectives and the company's progress in achieving them.

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

	Female	Male
Directors & Senior Management	23%	77%
Corporate & Administration	84%	16%
Labour Hire	68%	32%
Recruitment	79%	21%
Training	59%	41%
Total	**63%**	**37%**

During the financial year ending 30 June 2016 the Company submitted its first report to the Workplace Gender Equality Agency.

The performance of the Board and Senior Executives in the 2016 financial year has been reviewed against both quantitative and qualitative measures and Directors and Senior Executives provided feedback on the discharge of their responsibilities.

Directors' Declaration

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

    a. The consolidated financial statements and notes of Ashley Services Group Limited are in accordance with the Corporations Act 2001, including:
        i. Giving a true and fair view of its financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and
        ii. Complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b. There are reasonable grounds to believe that Ashley Services Group Limited will be able to pay its debts as and when they become due and payable.

2. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 30 June 2016.

3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

....

Ian Pratt
Chairman

Sydney, 30th August 2016

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

Report on the financial report

We have audited the accompanying financial report of Ashley Services Group Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Ashley Services Group Limited is in accordance with the Corporations Act 2001, including:

  i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the remuneration report included in pages 13 to 23 of the directors' report for the year ended 30 June 2016. The Directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Ashley Services Group Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C F Farley
Partner - Audit & Assurance

Sydney, 30 August 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2016

	Note	30 Jun 2016 $000	30 Jun 2015 $000
Revenue	2	280,832	304,083
Other income	2	1,077	689
Employment costs		(274,065)	(273,804)
Depreciation and amortisation expense	3	(3,470)	(2,535)
Finance costs	3	(612)	(934)
Other expenses		(15,169)	(10,507)
IPO and acquisition related costs		-	(4,387)
Impairment of intangibles	12	(65,966)	-
Deferred vendor earn-out adjustment	16	3,482	7,790
(Loss)/profit before income tax from continuing operations		**(73,891)**	**20,395**
Income tax credit/(expense)	5	6,913	(6,151)
(Loss)/profit for the year from continuing operations		**(66,978)**	**14,244**
Loss for the year from discontinued operations	22	(2,648)	(568)
(Loss)/profit for the year		**(69,626)**	**13,676**
Other comprehensive income		-	-
Total comprehensive (loss)/income for the year		**(69,626)**	**13,676**
Basic earnings per share (cents) from continuing operations	**20**	**(44.65)**	**10.06**
Diluted earnings per share (cents) from continuing operations	**20**	**(44.65)**	**10.05**
Basic earnings per share (cents) from discontinued operations	**20**	**(1.77)**	**(0.40)**
Diluted earnings per share (cents) from discontinued operations	**20**	**(1.77)**	**(0.40)**
Basic earnings per share (cents) Total	**20**	**(46.42)**	**9.66**
Diluted earnings per share (cents) Total	**20**	**(46.42)**	**9.65**

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

As at 30 June 2016

	Note	30 Jun 2016 $000	30 Jun 2015 $000
Assets			
Current assets			
Cash and cash equivalents	7	1,704	12,580
Trade and other receivables	8	27,925	37,737
Current tax receivable	13	2,838	1,974
Other assets	9	930	767
Total current assets		**33,397**	**53,058**
Non-current assets			
Property, plant and equipment	10	6,064	5,222
Deferred tax assets	13	7,590	3,873
Intangible assets	11, 12	9,847	76,216
Total non-current assets		**23,501**	**85,311**
Total assets		**56,898**	**138,369**
Liabilities			
Current liabilities			
Trade and other payables	14	18,982	22,300
Borrowings	15	102	226
Other liabilities	16	942	-
Provisions	17	3,792	2,485
Total current liabilities		**23,818**	**25,011**
Non-current liabilities			
Other liabilities	16	-	4,660
Deferred tax liabilities	13	3,700	5,551
Provisions	17	2,280	271
Total non-current liabilities		**5,980**	**10,482**
Total liabilities		**29,798**	**35,493**
Net assets		**27,100**	**102,876**
Equity			
Share capital	18	149,929	149,929
Common control reserve	19	(57,687)	(57,687)
(Accumulated losses)/Retained earnings		(65,142)	10,634
Total Equity		**27,100**	**102,876**

The accompanying notes form part of these financial statements.

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2016

	Share Capital $000	Common Control Reserve $000	Retained Earnings $000	Total $000
For the year ended 30 June 2016				
Balance at 1 July 2015	**149,929**	**(57,687)**	**10,634**	**102,876**
Loss for the period	-	-	(69,626)	(69,626)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	**-**	**-**	**(69,626)**	**(69,626)**
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(6,150)	(6,150)
Balance at 30 June 2016	**149,929**	**(57,687)**	**(65,142)**	**27,100**
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**

The accompanying notes form part of these financial statements.

ASHLEY SERVICES GROUP
TRAINING | RECRUITMENT | LABOUR HIRE

Consolidated Statement of Cash Flows
For the financial year ended 30 June 2016

	Note	30 Jun 2016 $000	30 Jun 2015 $000
Operating activities			
Receipts from customers		320,134	336,847
Payments to suppliers and employees		(320,655)	(320,725)
Payments in relation to IPO and acquisition related costs		-	(3,576)
Interest received		37	383
Interest paid		(340)	(257)
Income taxes received/(paid)		1,617	(7,612)
Net cash from continuing operations		**793**	**5,060**
Net cash (used in) discontinued operations	**22**	**(1,020)**	**(547)**
Net cash (used in)/from operating activities	**23**	**(227)**	**4,513**
Investing activities			
Payments for property, plant and equipment in continuing operations		(2,565)	(1,507)
Payments for property, plant and equipment in discontinued operations	22	(278)	(47)
Proceeds from sale of property, plant and equipment		77	165
Payments for intellectual property		(1,301)	(1,768)
Payments for businesses acquired net of cash acquired	24	(307)	(32,788)
Net cash used in investing activities		**(4,374)**	**(35,945)**
Financing activities			
(Repayment of) external borrowings in continuing operations		(89)	(5,301)
(Repayment of) external borrowings in discontinued operations	22	(35)	(518)
Proceeds from related party borrowings		-	487
Dividend paid		(6,151)	(34,110)
Net proceeds from issue of shares		-	82,239
Net cash (used in)/from financing activities		**(6,275)**	**42,797**
Net increase / (decrease) in cash and cash equivalents		**(10,876)**	**11,365**
Cash and cash equivalents at beginning of the period		12,580	1,215
Cash and cash equivalents at end of the period	**7**	**1,704**	**12,580**

The accompanying notes form part of these financial statements.

Table of Contents for the Notes to the Financial Statements

Notes to the Financial Statements

1. ACCOUNTING POLICIES

a. General information

The financial statements for the financial year ended 30 June 2016 cover Ashley Services Group Limited and its controlled entities ("**Ashley Services**" or the **"Group"**). Ashley Services Group is a public Company listed on the Australian Securities Exchange (trading under the symbol "**ASH"**), incorporated and domiciled in Australia.

The following is a summary of the material accounting policies adopted by the Group in the preparation of the consolidated financial statements. The accounting policies have been consistently applied unless otherwise stated.

b. Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board. The consolidated financial statements of the Group also comply with International Financial Reporting Standards ('IFRS') adopted by the International Accounting Standards Board. The Group is a for-profit entity for the purposes of preparing the financial statements.

The consolidated financial statements were authorised for issue by the Board of Directors on 30August 2016.

c. Basis of preparation

The consolidated financial statements have been prepared on an accruals basis and are based on historical costs, except for the measurement at fair value of selected non-current assets, financial assets and financial liabilities as disclosed in this note. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

In accordance with ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, amounts in the financial report are rounded off to the nearest thousand dollars unless otherwise indicated.

d. Going concern

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

e. Adoption of new and revised Accounting Standards

The Group adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

f. New Accounting Standard and Interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

AASB 9: Financial Instruments (December 2014)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a) Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.
b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).

Notes to the Financial Statements

Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c) Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income ('OCI'); and
- the remaining change is presented in profit or loss.

If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and
- derecognition requirements for financial assets and liabilities.

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 (i.e. the Group's 30 June 2019 year-end). Management's assessment of these amendments is that they will have no material impact on the Group's transactions or balances recognised in the financial statements.

AASB 15: Revenue from Contracts with Customers

AASB 15 replaces AASB 118: Revenue, AASB 111: Construction Contracts and some revenue-related Interpretations:

- Establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time;
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing); and
- expands and improves disclosures about revenue.

AASB 15 is applicable to annual reporting periods beginning on or after 1 January 2018 (i.e. the Group's 30 June 2019 year-end). Management's assessment of these amendments is that they will have no material impact on the Group's transactions or balances recognised in the financial statements.

AASB 16: Leases

AASB 16 replaces AASB 117: Leases, was issued in February 2016 and is effective for periods beginning on or after 1 January 2019. AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations;
- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases;
- provides new guidance on the application of the definition of lease and on sale and lease back accounting;
- largely retains the existing lessor accounting requirements in AASB 117; and
- requires new and different disclosures about leases.

AASB 16 is applicable to annual reporting periods beginning on or after 1 January 2019 (i.e. the Group's 30 June 2020 year-end). Management have yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2020 includes:

- there will be an increase in lease assets and financial liabilities recognised on the balance sheet;
- the reported equity will reduce as the carrying amount of lease assets will reduce more

quickly than the carrying amount of lease liabilities;

- EBIT in the statement of profit or loss and other comprehensive income will be higher as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses; and
- operating cash outflows will be lower and financing cash flows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

g. Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses and result in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed are recognised (subject to certain limited exceptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are recognised as expenses in the statement of profit or loss and other comprehensive income when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

On 1 July 2014, the group acquired a number of related entities. This business combination was treated as a common control transaction, as the conditions in AASB 3: Business Combinations (Appendix B) applied, in that all businesses were controlled by the same party before and after the transaction, and the control was not considered transitory.

h. Basis of consolidation

The Group financial statements consolidate those of Ashley Services Group Limited and all of its subsidiaries as of 30 June 2016. Ashley Services Group Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

i. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any discounts allowed. All revenue is stated net of the amount of GST. Below are the specific accounting policies adopted by the Group:

Training revenue

Revenue from training courses is recognised in proportion to the stage of completion of the training course.

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

Labour hire

Labour hire revenue is recognised upon delivery of the service to the customers or in the instance of placement fees at the time the employee has been placed.

Interest revenue

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

Dividend revenue

Dividend revenue is recognised when the right to receive a dividend has been established, usually on declaration of the dividend / distribution.

Other income

Other income primarily includes administration costs recovered. Revenue is recognised in line with the costs incurred.

j. Intangible assets

Goodwill

Goodwill is initially recognised as the difference between the fair value of consideration, and the fair value of net assets acquired less any accumulated impairment losses.

The value of goodwill is recognised on acquisition of the business.

The Group adopts the full goodwill method. The fair value of the interests in the business is determined using valuation techniques which make the maximum use of market information where available. Under this method, goodwill attributable to the interests of the business is recognised in the financial statements.

Goodwill is tested for impairment annually and is allocated to the Group’s cash-generating units or group of cash-generating units, which represent the lowest level at which goodwill is monitored but where such level is not larger than an operating segment. Gains and losses on the disposal of equity include the carrying amount of goodwill related to the entity sold.

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

Other intangibles

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

Estimated useful life of intangibles is as follows:

Customer relationships	7 years
Licenses	5 years
Intellectual property	
- Course material	5 - 7 years

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

k. Income tax

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of profit or loss when the tax relates to items that are credited or charged directly to equity.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary differences can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Tax consolidation

Ashley Services Group Limited and its wholly owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to head entity. The group notified the Australian Taxation Office that it has formed an income tax consolidation group to apply from 1 July 2003. The income tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income.

Differences between the amounts of net tax assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution, to the head entity.

l. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown with short term borrowings in current liabilities on the balance sheet.

m. Trade and other receivables

Trade and other receivables include amounts due from customers for services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

The recoverability of trade receivables is reviewed on an ongoing basis. Amounts which are determined not to be recoverable are written off by reducing the carrying amount to its recoverable amount, the difference is charged to the statement of profit or loss and other comprehensive income in that period.

A provision for impairment of trade recoverable is recognised when there is objective evidence that the group is unable to collect part or all of the amounts due. Factors such as previous trading relationship, financial position, and probability of recoverability are considered when determining the extent the debtor is impaired.

n. Plant and equipment

Each class of plant and equipment is carried at cost, less where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

The depreciable amount of fixed assets is depreciated on a straight line basis, over the useful asset's life to the Group commencing from the time the assets are held ready for use.

The annual depreciation rates used for each class of depreciable assets are:

Class of fixed assets	Depreciation rate
Computer equipment	20%
Office equipment	20%
Furniture and fittings	20%
Motor vehicles	18.75%
Training equipment	33.33%
Leasehold improvements	20% - 40%

In the case of leasehold improvements, expected useful lives are determined by reference to comparable owned assets or over the term of the lease, if shorter.

The carrying amount of plant and equipment is reviewed annually at the end of the reporting period by the Directors to ensure it is not in excess of the recoverable amount of these assets.

The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These gains or losses are recognised immediately in profit or loss.

o. Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

p. Employee benefits

Provision is made for the Group's liability for the employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on HQ corporate bonds with terms to maturity that match the expected timing of cash flows.

q. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured at the best estimate of the amounts required to settle the obligation at the end of the reporting period.

r. Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Notes to the Financial Statements

s. Impairment of assets

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired.

The assessment will include considering external sources of information and internal sources of information including dividends received from subsidiaries, deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell, and its value in use, to the asset's carrying amount. Any excess of the asset's carrying value over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

t. Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

u. GST

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

v. Significant management judgement in applying accounting policies

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

Significant management judgement

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

Determination of Cash Generating Units for purpose of impairment reviews

Determination of the Cash Generating Units ("CGUs") for purpose of impairment reviews is a key judgement made by management. Management has undertaken a formal assessment of what constitutes the CGUs, by identifying the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets, being Training and Labour Hire.

Assessment of the IMF claim against the Group

Management has formally considered the potential class action claim that may be brought against the Group. Management's view is that the potential claim would be without substance, and likelihood of any unfavourable material outcome resulting from this claim is considered remote. Based on this assessment, neither a provision, nor disclosure as a contingent liability are considered necessary. (Refer Note 28).

Recognition of deferred tax assets

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

Estimation uncertainty

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

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Both future operating results and discount rates are discussed in Note 12. In 2016, the Group recognised an impairment loss on goodwill and other intangible assets (see Note 12).

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination (see Note 24). The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see Note 29). The fair value of acquired intangibles is also subject to a number of assumptions. This involves developing estimates and assumptions consistent with how market participants would price the identified asset. Management bases its assumptions on observable or benchmark data as far as possible but this is not always available. In that case management uses the best information available.

Long service leave provisions

In determining the provision for employees' long service leave, consideration is given to the probability an employee may not satisfy vesting requirements. In doing this, management considers the likelihood of employees reaching a qualifying period of service and adjust the valuation for these estimated probabilities.

Long term incentive plan

In determining the provision for senior management's long term incentive plan, consideration is given to the probability the required "earnings per share" performance requirement being achieved to be remote, and therefore a provision has not been recognised in relation to this.

w. Dividends

A liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

x. Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, after deducting any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the Financial Statements

2. REVENUE AND OTHER INCOME

	2016 $000	2015 $000
Operating activities:		
Labour hire revenue	248,612	261,038
Training revenue from continuing operations*	32,220	43,045
	280,832	**304,083**
Other income:		
Interest received	37	381
Sundry income	1,040	318
	1,077	**689**

*Refer to note 22 for details of discontinued operations.

3. EXPENSES

Profit before income tax from continuing operations includes the following specific expenses:

	2016 $000	2015 $000
Finance costs		
Interest expense	511	628
Bank fees	101	306
	612	**934**
Depreciation		
Motor vehicles	172	131
Office equipment	831	660
Leasehold improvements	692	233
	1,695	**1,024**
Amortisation		
Customer contracts and relationships – amortisation	129	286
Customer contracts and relationships – impairment	-	476
Intellectual property	118	220
Course material	1,528	471
Licences	-	58
	1,775	**1,511**
Impairment		
Impairment of intangible assets	**65,966**	-

Notes to the Financial Statements

4. AUDITOR'S REMUNERATION

	2016 $	2015 $
Auditor of the parent entity – Grant Thornton		
Audit and review of financial reports under the *Corporations Act 2001*	232,000	206,000
Financial due diligence services related to acquisitions	-	30,000
Total Remuneration	**232,000**	**236,000**
Other entities		
In addition to the above, the related entities detailed in Note 25 have also paid fees to the auditor, Grant Thornton and these are as follows:		
Audit or review of financial reports under the Corporations Act 2001	45,000	95,000
	45,000	**95,000**

5. INCOME TAX EXPENSE

a. Components of tax expense for continuing operations

	2016 $000	2015 $000
Current tax expense	1,135	3,103
Deferred tax – origination and reversal of temporary differences	(5,615)	3,029
(Over)/under provision of tax in prior year	(2,433)	19
Income tax (credit)/expense	**(6,913)**	**6,151**

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

	2016 $000	2015 $000
Net (loss)/profit before tax from continuing operations	(73,891)	20,395
Prima facie tax (credit)/expense on net profit from ordinary activities before income tax at 30% (2015: 30%)	(22,167)	6,118
Add / (less):		
Tax effect of:		
– Entertainment	10	14
– Other	1	-
– Deferred vendor earn-out adjustment	(1,044)	-
– Impairment of intangibles	19,790	-
– Acquired intangibles	(1,070)	-
– (Over)/under provision of tax in prior year	(2,433)	19
Income tax (benefit)/expense	**(6,913)**	**6,151**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Notes to the Financial Statements

6. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

	2016 $	2015 $
Short-term employee benefits	1,906,276	2,232,957
Post-employment benefits	136,708	136,450
IPO related share based payments	-	872,708
Long-term employee benefits	-	-
Total	**2,042,984**	**3,242,115**

b. Individual director and key management personnel disclosures

Detailed remuneration disclosures are included in the Director's Report. The relevant information can be found in the Remuneration section of the report on page 19 to 21, Tables 8 to 10.

7. CASH AND CASH EQUIVALENTS

	2016 $000	2015 $000
Cash on hand	9	10
Cash at bank	1,695	12,570
	1,704	**12,580**

8. TRADE AND OTHER RECEIVABLES

	2016 $000	2015 $000
Current		
Trade receivables	20,505	24,330
Allowance for impairment of trade receivables	(1,055)	(803)
Other receivables	8,475	14,210
	27,925	**37,737**

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

	2016 $000	2015 $000
Current	14,469	16,199
Past due 0 – 30 days (not considered impaired)	2,884	4,859
Past due 31 – 60 days (not considered impaired)	683	1,247
Past due 60+ days (not considered impaired)	1,414	1,222
Past due 60+ days (considered impaired (b))	1,055	803
	20,505	**24,330**

Notes to the Financial Statements

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

	2016 $000	2015 $000
Balance at beginning of year	803	868
Increase through business combinations	-	257
Increase/(decrease) in allowance recognised in profit or loss	849	(128)
Amounts written-off	(597)	(194)
Balance at end of year	**1,055**	**803**

9. OTHER ASSETS

	2016 $000	2015 $000
Current		
Prepayments	593	492
Deposits	337	275
	930	**767**

10. PROPERTY PLANT AND EQUIPMENT

	2016 $000	2015 $000
Motor vehicles		
Cost	514	663
Accumulated depreciation	(306)	(300)
	208	**363**
Office equipment		
Cost	7,213	4,922
Accumulated depreciation	(3,870)	(2,719)
	3,343	**2,203**
Leasehold improvements		
Cost	3,334	2,193
Accumulated depreciation	(1,239)	(303)
	2,095	**1,890**
Capital works in progress		
Cost	418	767
Accumulated depreciation	-	-
	418	**767**
Total property, plant and equipment	**6,064**	**5,222**

Notes to the Financial Statements

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

2016	Motor vehicles $000	Office equipment $000	Leasehold improvements $000	Capital Work In Progress $000	Total $000
Balance at 1 July 2015	363	2,203	1,890	767	5,222
Additions	48	2,125	1,019	(349)	2,843
Disposals	(29)	(40)	(14)	-	(83)
Depreciation expense – continuing operations	(172)	(831)	(692)	-	(1,695)
Depreciation expense – discontinued operations	(2)	(114)	(108)		(224)
Balance at 30 June 2016	**208**	**3,343**	**2,095**	**418**	**6,064**

2015	Motor vehicles $000	Office equipment $000	Leasehold improvements $000	Capital Work In Progress $000	Total $000
Balance at 1 July 2014	365	1,314	1,029	172	2,880
Additions	-	688	271	595	1,554
Acquisition through business combination	265	904	851	-	2,020
Disposals	(136)	(24)	-	-	(160)
Depreciation expense	(131)	(680)	(261)	-	(1,072)
Balance at 30 June 2015	**363**	**2,203**	**1,890**	**767**	**5,222**

The Group's property, plant and equipment are encumbered by a fixed and floating charge as security for the group's overdraft facility.

Notes to the Financial Statements

11. INTANGIBLE ASSETS

	2016 $000	2015 $000
Goodwill		
Cost	66,256	66,174
Reclassification to intellectual property	(1,000)	-
Impairment (note 12)	(62,474)	-
Net carrying value	**2,782**	**66,174**
Customer relationships/Licences		
Cost	2,062	2,062
Impairment (note 12)	(918)	(476)
Accumulated amortisation	(520)	(391)
Net carrying value	**624**	**1,195**
Brand names		
Cost	3,798	3,798
Impairment (note 12)	(2,041)	-
Reclassification from goodwill	842	-
Accumulated amortisation	-	-
Net carrying value	**2,599**	**3,798**
Intellectual property		
Cost	7,471	6,170
Impairment (note 12)	(1,009)	-
Reclassification from goodwill	158	
Accumulated amortisation	(2,778)	(1,121)
Net carrying value	**3,842**	**5,049**
Total intangible assets	**9,847**	**76,216**

a. Intangible assets – detailed reconciliation

2016	Goodwill $000	Customer Relationships and Licences[2] $000	Brand Names[3] $000	Intellectual Property[4] $000	Total $000
Balance at 1 July 2015	66,174	1,195	3,798	5,049	76,216
Capitalised course materials	-	-	-	1,301	1,301
Acquired through business combinations	(918)		842	158	82
Amortisation – continuing operations	-	(129)	-	(1,646)	(1,775)
Amortisation – discontinued operations	-	-	-	(11)	(11)
Impairment charge[1]	(62,474)	(442)	(2,041)	(1,009)	(65,966)
Balance at 30 June 2016	**2,782**	**624**	**2,599**	**3,842**	**9,847**

Note:

1. See Note 12c.
2. Customer relationships have a remaining useful life of 5 years.
3. Brand names have an indefinite life and are not amortised.
4. Remaining useful life for Intellectual property is up to 5 years.

Notes to the Financial Statements

2015	Goodwill $000	Customer Relationships and Licences $000	Brand Names $000	Intellectual Property $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	-	3,798	4,215	54,444
Amortisation	-	(344)	-	(691)	(1,035)
Impairment charge[1]	-	(476)	-	-	(476)
Balance at 30 June 2015	**66,174**	**1,195**	**3,798**	**5,049**	**76,216**

Note:

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

12. IMPAIRMENT

a. Impairment

The consolidated entity tests whether goodwill and other intangible assets have suffered any impairment on an annual basis, or more frequently, if required. As a result of the decrease in profitability within the Group, detailed impairment reviews were performed at both 31 December 2015 and 30 June 2016.

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

Long term growth rates after the forecast period and discount rates used were as follows:

	Terminal Growth rates		Pre tax discount rates	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
Training	2%	2%	16.9%	16.9%
Labour Hire	0%	2%	18.7%	18.7%

The growth rates reflect management's view of longer-term average growth rates for the respective sectors. The discount rates reflect appropriate adjustments relating to market risk and specific risk factors of each unit.

b. Cash flow assumptions for the detailed forecast

Training division

The recoverable amount of the Training division has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management and the Board covering a two-year period (FY17 to FY18), and a pre-tax discount rate of 16.9 per cent. Cash flows beyond that period have been extrapolated using a 2 per cent growth rate. This growth rate is below the Reserve Bank of Australia's long-term average growth rate for Australia.

Management's key assumption is that revenues for the Training division will grow 10%-12% per annum for FY17 and FY18, as a result of an increase in student numbers combined with a diversification of revenue streams, and stabilise thereafter.

Notes to the Financial Statements

Labour Hire division

The recoverable amount of the Labour Hire division has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management for FY17 and a pre-tax discount rate of 18.7 per cent. Cash flows beyond that period have been held constant, reflecting the competitive nature of the industry.

Management's key assumption is that revenues for the Labour Hire division will increase 8% in FY17, reflecting the net impact of recent customer wins and losses. EBITDA margin is forecast at 1.9% (before corporate overhead allocations).

c. Impairment charges

Management has also run various sensitivity scenarios, primarily reviewing sensitivity of outcomes to FY17 EBITDA forecasts, long term growth rates and discount rates. In respect of reasonably possible changes in the key assumptions, major sensitivities are summarised as follows:

Change in VIU	Labour hire CGU $'M	Training CGU $'M
Sustainable EBITDA margin; +/- $0.5 million each CGU	+/-2.4	+/-3.0
1% increase or decrease in long term growth rate	+/-0.7	+/-1.5
1% increase or decrease in pre tax discount rate	+/-1.0	+/-1.7

As a result of the base case and scenario analysis as at 31 December 2015, an impairment charge totalling $63.3 million was recorded in the first six months result. This was revised again at 30 June 2016 and a further impairment of $2.7 million was recognised.

The total impairment charge of $66.0 million for the financial year ended 30 June 2016 was, split by CGU as follows:

	Goodwill $'000	Other Intangibles $'000	Total $'000
Training	52,361	3,492	55,853
Labour Hire	10,113	-	10,113
Total impairment charge for the year ended 30 June 2016	**62,474**	**3,492**	**65,966**

Movements in the net carrying amount of goodwill and other intangibles are presented in note 11a.

The amount of goodwill, brand names and other intangibles remaining by CGU and subject to future impairment testing is as follows:

2016	Goodwill $'000	Customer Relationships/ Licences $'000	Brand Names $'000	Intellectual Property $'000	Total $'000
Training	-	-	2,599	3,842	6,441
Labour Hire	2,782	624	-	-	3,406
Total	**2,782**	**624**	**2,599**	**3,842**	**9,847**

Notes to the Financial Statements

2015	Goodwill $'000	Customer Relationships/ Licences $'000	Brand Names $'000	Intellectual Property $'000	Total $'000
Training	53,249	442	3,798	5,049	62,568
Labour Hire	12,895	753	-	-	13,648
Total	**66,174**	**1,195**	**3,798**	**5,049**	**76,216**

13. TAX BALANCES

	2016 $000	2015 $000
Current assets		
Income tax receivable	2,838	1,974
Non-current assets		
Deferred tax assets (a)	7,590	3,873
Current tax liabilities		
Income tax payable	-	-
Non-current liabilities		
Deferred tax liabilities (a)	3,700	5,551

a. Deferred tax assets and liabilities

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

2016	Balance at Beginning of the Year $000	Recognised in Other comprehensive income $000	Recognised in Business Combination $000	Recognised in Profit & Loss $000	Balance at End of the Year $000
Current assets					
Trade, other receivables and other assets	(3,959)	-	-	1,610	(2,349)
Non-current assets					
Intangible assets	(1,362)	-	(47)	549	(860)
Property, plant and equipment	11	-	-	(11)	-
Current liabilities					
Trade and other payables	2,805	-	-	753	3,558
Provision	827	-	-	1,538	2,365
2016 tax loss carried forward					
Deferred tax asset	-	-	-	1,176	1,176
Total	**(1,678)**	**-**	**(47)**	**5,615**	**3,890**

Notes to the Financial Statements

2015	Balance at Beginning of the Year $000	Recognised in Other comprehensive income $000	Recognised in Business Combination $000	Recognised in Profit & Loss $000	Balance at End of the Year $000
Current assets					
Trade, other receivables and other assets	(1,264)	-	-	(2,695)	(3,959)
Non-current assets					
Intangible assets	(461)	-	(1,264)	363	(1,362)
Property, plant and equipment	11	-	-	-	11
Current liabilities					
Trade and other payables	3,733	-	-	(928)	2,805
Provision	542	-	54	231	827
Total	**2,561**	**-**	**(1,210)**	**(3,029)**	**(1,678)**

14. TRADE AND OTHER PAYABLES

	2016 $000	2015 $000
Current		
Trade payables	2,661	3,133
Accrued expenses	5,821	2,836
GST payable	2,000	3,988
Sundry creditors	8,500	12,343
	18,982	**22,300**

The average credit period on purchases of certain products is 30 days. No interest is charged on trade payables. The group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

15. BORROWINGS

	2016 $000	2015 $000
Current		
Secured liabilities		
Bank overdraft (a)	-	-
Term facility (b)	-	-
Finance Leases (c)	102	226
	102	**226**

a. Bank overdraft facility

Comprises a $15 million working capital facility with BankWest Limited, who have fixed and floating charges over the Group's assets.

Notes to the Financial Statements

b. Term facility

At 30 June 2015, the Group had an $8 million term debt facility with BankWest Limited to finance potential acquisition opportunities. This facility was closed during the financial year ended 30 June 2016.

c. Finance Leases

The Group has a small number of finance leases on company use motor vehicles. The asset carrying value of these vehicles is $84,525 (2015: $156,572) and is included in Note 10.

d. Group credit facility

	2016 $000	2015 $000
Total facilities at reporting date		
Bank overdraft	15,000	15,000
Term facility	-	8,000
	15,000	**23,000**
Used at reporting date		
Bank overdraft	-	-
	-	**-**
Unused at reporting date		
Bank overdraft	15,000	15,000
Term facility	n/a	8,000
	15,000	**23,000**

e. Restructuring of Group credit facilities subsequent to the balance date

Subsequent to year end, the Company has revised its funding arrangements by establishing an 'evergreen' invoice discount facility with a Big 4 bank at competitive rates. The BankWest debt facility reduced from $15 million to $10 million in August 2016 and will be reduced to $5 million over the next 4 months. This will provide the Company with equivalent liquidity at comparable cost to the previous $15 million facility. The term of the BankWest facility is unchanged (still 29 October 2017) and includes a similar covenant package, albeit financial measures have been re-set to the Company's current business plan.

Key terms of the revised facility agreement are outlined below:

Key terms	
Facility limit	$10M from 17 August 2016 to 30 September 2016. $8M from 1 October 2016 to 30 November 2016 $5M from 1 December 2016 to expiration
Expiration date for facility	29 October 2017
Security	The Bank has fixed and floating charges over the Group's assets

Notes to the Financial Statements

16. OTHER LIABILITIES

	2016 $000	2015 $000
Current		
Vendor earn-out liability (a)	942	-
Non-Current		
Vendor earn-out liability (a)	-	4,660

a. Vendor earn-out liability

The Vendor earn-out liability comprises the fair value of estimated consideration payments payable to vendors in relation to the acquisition of SILK on 30 April 2015. The liability is payable in September 2016, subject to certain conditions.

During the financial year, the fair value of the Vendor earn-out liabilities in relation to the Integracom, Cantillon and SILK acquisitions were re-assessed. This resulted in a $3.5 million reduction in the total Vendor earn-out liability from $4.7 million to $1.2 million. $0.3 million was paid to the vendors of SILK during February 2016, in accordance with the provisions of that Sale and Purchase Agreement.

17. PROVISIONS

	2016 $000	2015 $000
Current		
Employee benefits (a)	3,021	2,485
Provision for discontinued operation (b)	771	-
Total	**3,792**	**2,485**
Non-current		
Employee benefits (a)	540	271
Provision for discontinued operation (b)	1,740	-
Total	**2,280**	**271**

a. Reconciliation of employee provisions

	2016 $000	2015 $000
Opening balance	2,756	1,829
Add: acquired through business combination	-	178
Less: leave taken during the year	(557)	(788)
Add: leave provided for during the year	1,362	1,537
Closing balance	**3,561**	**2,756**

Notes to the Financial Statements

b. Provision for discontinued operation

During the final quarter of the financial year, the Board approved an orderly exit from the International student business in Perth, Western Australia. This business was originally acquired through the Cantillon acquisition in September 2014. The Group is fulfilling its obligations for the remaining students and working with third parties to sub-let three separate properties associated with the business. However, at the time of this report, no sub-leases are in place and the business has been disclosed as a discontinued operation.

There was no discontinued provision at 30 June 2015.The $2.5 million provision was provided for during year ended 30 June 2016 and represents the discounted cost of future surplus lease obligations ($2.275 million), together with other exit costs, primarily potential asset write offs and redundancies ($0.226 million).

18. SHARE CAPITAL

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

	30 Jun 2016 $000	30 Jun 2015 $000
150,000,000 (Jun-15: 150,000,000) fully paid ordinary shares	149,929	149,929
	30 Jun 2016 Number of rights	**30 Jun 2015 Number of rights**
Performance rights	1,942,475	380,787

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.

At 30 June 2015, the Group had issued 380,787 Performance rights. During the current year the Group issued 1,561,688 Performance Rights to employees. These Performance Rights were granted on the 25th September 2015 with a fair value of 52.5 cents per right. The terms of the Performance Plan have been outlined in the Directors' Report (Table 7) within this Annual Report.

Management have assessed the probability of the performance hurdles for the 2015 and 2016 plans being met as nil and no expense has been recognised in the profit and loss account for the year ended 30 June 2016.

The plan has been suspended for the financial year ending 30 June 2017.

19. COMMON CONTROL RESERVE

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

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

Notes to the Financial Statements

20. EARNINGS PER SHARE

	2016 $000	2015 $000
Net (loss)/profit after tax	(69,626)	13,676
Weighted number of ordinary shares outstanding during the year used in calculating basic earnings per share (EPS)	150,000,000	141,618,754
Weighted number of ordinary shares outstanding during the year used in calculating diluted earnings per share (EPS)	150,000,000	141,747,074
Basic earnings per share (cents) from continuing operations	(44.65)	10.06
Diluted earnings per share (cents) from continuing operations	(44.65)	10.05
Basic earnings per share (cents) from discontinued operations	(1.77)	(0.40)
Diluted earnings per share (cents) from discontinued operations	(1.77)	(0.40)
Basic earnings per share (cents) Total	**(46.42)**	**9.66**
Diluted earnings per share (cents) Total	**(46.42)**	**9.65**

As the Group has made a loss in the current year, the impact of the Performance Rights is anti-dilutive, and as such has not been included in the calculation of the diluted EPS. There are 1,942,475 Performance Rights not included in the calculation.

Notes to the Financial Statements

21. SEGMENT INFORMATION

Management currently identifies the following segments:

- Labour Hire; and
- Training.

These segments are monitored by the Group's management and by the Board and strategic decisions are made based on these segment results.

2016	Labour Hire $000	Training $000	Total $000
Revenue			
From external customers	248,612	32,220	280,832
Segment revenue	**248,612**	**32,220**	**280,832**
Other income	1,034	5	1,039
Employment cost	(241,065)	(30,110)	(271,175)
Depreciation and amortisation expense	(353)	(3,015)	(3,368)
Finance costs	(10)	(92)	(102)
Other expenses	(3,663)	(8,753)	(12,416)
Impairment of intangibles	(10,113)	(55,853)	(65,966)
Deferred vendor earn-out adjustment	-	3,482	3,482
Segment Profit/(loss)	**(5,558)**	**(62,116)**	**(67,674)**
Unallocated items			(6,217)
(Loss) before income tax			**(73,891)**
Income tax benefit			6,913
Total comprehensive (loss) for the year from continuing operations			**(66,978)**

2015	Labour Hire $000	Training $000	Total $000
Revenue			
From external customers	261,038	43,045	304,083
Segment revenue	**261,038**	**43,045**	**304,083**
Other Income	446	(166)	280
Employment costs	(247,927)	(24,449)	(272,376)
Depreciation and amortisation expense	(559)	(1,899)	(2,458)
Finance costs	(66)	(581)	(647)
Other expenses	(4,045)	(5,267)	(9,312)
Deferred vendor earn-out adjustment	-	7,790	7,790
Segment profit/(loss)	**8,887**	**18,473**	**27,360**
Unallocated items			(2,578)
IPO and acquisition related costs			(4,387)
Profit before income tax			**20,395**
Income tax expense			(6,151)
Total comprehensive income for the year from continuing operations			**14,244**

Notes to the Financial Statements

No segments assets or liabilities are disclosed because there is no measure of segments assets or liabilities regularly reported to Management and to the Board.

a. Information about major customers

Included in revenues from external customers are revenues of $118.0 million (2015: $117.4 million) which arose from sales to 3 (2015: 3) of the Group's customers whose individual revenue exceeds 10% of total revenue in the Labour Hire segment. Sales to these 3 customers were $47.9 million, $42.5 million and $27.6 million respectively (2015: $47.3 million, $42.9 million and $27.2 million respectively).

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

22. DISCONTINUED OPERATION

During the final quarter of the financial year, the Board approved an orderly exit from the International student business in Perth, Western Australia. This business was originally acquired through the Cantillon acquisition in September 2014. The Group is fulfilling its obligations for the remaining students and working with third parties to sub-let three separate properties associated with the business. The $2.6 million after tax loss represents the trading loss incurred during the financial year ($0.9 million after tax), together with the costs of termination ($1.7 million), which primarily represents the discounted cost of the future lease obligations:

Discontinued operation	2016 $000	2015 $000
Revenue	**868**	**617**
Other income	51	(1)
Employment cost	(803)	(789)
Depreciation and amortisation expense	(236)	(48)
Finance costs	(3)	(11)
Other expenses	(1,149)	(579)
Surplus lease provision	(2,275)	-
Other exit costs	(236)	-
(Loss) before income tax	**(3,783)**	**(811)**
Income tax credit	1,135	243
(Loss) after tax	**(2,648)**	**(568)**
Total comprehensive (loss) for the year	**(2,648)**	**(568)**

Notes to the Financial Statements

Cash flows from the discontinued operation were:

Discontinued operation	2016 $000	2015 $000
Receipts from customers	1,171	800
Payments to suppliers and employees	(2,187)	(1,552
Interest paid	(3)	(9)
Income taxes received/(paid)	(1)	214
Net cash (used in) operating activities	**(1,020)**	**(547)**
Payments for property, plant and equipment	(278)	(47)
Net cash (used in) investing activities	**(278)**	**(47)**
(Repayment) of external borrowings	(35)	(518)
Net cash (used in) financing activities	**(35)**	**(518)**
Net (decrease) in cash and cash equivalents	**(1,333)**	**(1,112)**

23. CASH FLOW INFORMATION

Reconciliation of cash flow from operations to (loss)/profit after income tax

	2016 $000	**2015 $000**
(Loss)/Profit for the year	(69,626)	13,676
Cash flows excluded from profit attributable to operating activities		
Adjustments for non-cash items:		
- Depreciation and amortisation expense	3,706	2,583
- Bad and doubtful debts	849	(128)
- Loss on disposal of fixed assets	6	19
- Gain on reassessment of deferred consideration liabilities	(3,482)	(7,790)
- Impairment of intangibles	65,966	-
- IPO bonuses issued as shares	-	811
Changes in assets and liabilities		
- Decrease /(increase) in trade and other receivables	8,950	(6,226)
- Increase in other assets	(163)	(215)
- (Increase)/decrease in deferred tax asset	(3,716)	847
- (Decrease)/increase in trade and other payables	(3,318)	2,525
- Increase in provisions	3,316	748
- Increase in current tax receivables	(864)	(4,465)
- (Decrease)/ increase in deferred tax liabilities	(1,851)	2,128
Net cash (used in)/from operating activities	**(227)**	**4,513**

Notes to the Financial Statements

24. BUSINESS COMBINATION

a. Current year acquisitions

The Group made no acquisitions during the financial year ended 30 June 2016.

The Group finalised the purchase price allocation for SILK during the financial year ended 30 June 2016. $1 million of $4,047,100 original goodwill was reallocated to brand names ($842,000) and Intellectual Property ($158,000).

b. Prior year acquisitions

The Group acquired 100% of the issued share capital and voting rights of Integracom, Cantillon and SILK during the prior financial year. All these companies were 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 student sector; and
SILK - increase the Group's market share in providing training in the hospitality industry.

Details of the business combinations are as follows:

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

* The Group had not yet finalised the purchase price allocation at 30 June 2015. This was subsequently finalised in the 31 December 2015 interim financial report and $1 million of original goodwill was reallocated to brand names ($842,000) and Intellectual Property ($158,000).

Notes to the Financial Statements

Consideration transferred

Acquisition-related costs amounting to $0.75m were not included as part of consideration transferred and were recognised as an expense in the consolidated statement of profit or loss and other comprehensive income for the financial year ended 30 June 2015.

Identifiable net assets

The fair value accounting for the Integracom and Cantillon acquisitions were finalised in the year ended 30 June 2015. The fair value of accounting for the SILK acquisition was finalised in the year ended 30 June 2016.

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

- Integracom - $6.7m;
- Cantillon - $1.3m; and
- SILK - $1.0m.

Goodwill

Goodwill on all three acquisitions was allocated to the Training division cash-generating unit at 30 June 2015.

Contribution of acquisitions to the Group's 2015 result

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

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

25. CONTROLLED ENTITIES

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

	Country of incorporation	2016 percentage owned %	2015 percentage owned %
Action Arndell Park Pty Limited	Australia	100	100
Action Workforce NSW Pty Limited	Australia	100	100
Action Botany Pty Limited	Australia	100	100
Action James NSW Pty Limited	Australia	100	100
Action James (Qld) Pty Limited	Australia	100	100
Action James WCF Pty Limited	Australia	100	100
Action James Mascot Pty Limited	Australia	100	100
ADV1 Pty Limited	Australia	100	100
Action James Parramatta Pty Limited	Australia	100	100
Action James Western Suburbs Pty Limited	Australia	100	100
Action Job Support Pty Limited	Australia	100	100
Action Workforce Pty Limited	Australia	100	100
ADV2 Pty Limited	Australia	100	100
Action Workforce Victoria Pty Limited	Australia	100	100

Notes to the Financial Statements

	Country of incorporation	2016 percentage owned %	2015 percentage owned %
ADV3 Pty Limited	Australia	100	100
CP Action Electronics Pty Limited	Australia	100	100
CP Action Workforce Pty Limited	Australia	100	100
Integracom Holdings Pty Limited (formerly CP Med-WH Pty Limited)	Australia	100	100
ADV4 Pty Limited	Australia	100	100
ECA Chullora Pty Limited	Australia	100	100
ADV5 Pty Limited	Australia	100	100
ADV6 Pty Limited	Australia	100	100
ECA Plastics Pty Limited	Australia	100	100
Executive Careers Australia Pty Limited	Australia	100	100
ADV8 Pty Limited	Australia	100	100
James Personnel Pty Limited	Australia	100	100
ADV7 Pty Limited	Australia	100	100
James Warehousing Pty Limited	Australia	100	100
Silk Group Holdings Pty Limited (formerly National Institute of Training (NSW) Pty Limited)	Australia	100	100
Vocational Training Australia Pty Limited	Australia	100	100
Ashley Apprenticeship Network Pty Limited (formerly Precast Concrete Labour Pty Limited)	Australia	100	100
Action Workforce AC Pty Limited	Australia	100	100
Action Workforce ACT Pty Limited	Australia	100	100
Action Workforce BAX1 Pty Limited	Australia	100	100
Action Workforce CAT Pty Limited	Australia	100	100
Action Workforce COLI Pty Limited	Australia	100	100
Action Workforce COS1 Pty Limited	Australia	100	100
Action Workforce COT Pty Limited	Australia	100	100
Action Workforce IMT Pty Limited	Australia	100	100
Action Workforce LIN1 Pty Limited	Australia	100	100
Action Workforce OS Pty Limited	Australia	100	100
Action Workforce OSI 1 Pty Limited	Australia	100	100
Action Workforce OST Pty Limited	Australia	100	100
Action Workforce T1 Pty Limited	Australia	100	100
Action Workforce T2 Pty Limited	Australia	100	100
Action Workforce VAPS Pty Limited	Australia	100	100
Action Workforce VER1 Pty Limited	Australia	100	100
Action Workforce VM Pty Limited	Australia	100	100
Action Workforce VPN Pty Limited	Australia	100	100
Action Workforce VPS Pty Limited	Australia	100	100
ADV9 Pty Limited	Australia	100	100
Advance BGT Pty Limited	Australia	100	100
Action MMX Pty Limited	Australia	100	100

Notes to the Financial Statements

	Country of incorporation	2016 percentage owned %	2015 percentage owned %
Action WA Pty Limited	Australia	100	100
Tracmin Holdings Pty Limited (formerly Advance BW Pty Limited)	Australia	100	100
Advance GW Pty Limited	Australia	100	100
Advance KM Pty Limited	Australia	100	100
Advance LLA Pty Limited	Australia	100	100
Advance LSA Pty Limited	Australia	100	100
Advance MAN Pty Limited	Australia	100	100
Advance MIX Pty Limited	Australia	100	100
Advance TR Pty Limited	Australia	100	100
Advance WL Pty Limited	Australia	100	100
Advance WLE Pty Limited	Australia	100	100
Advance WLT Pty Limited	Australia	100	100
ASG Integracom (AUST) Holdings Pty Limited (formerly Advance WMAM Pty Limited)	Australia	100	100
ASG Integracom (AUST) Pty Limited (formerly Advance WMLF Pty Limited)	Australia	100	100
Advance WMPM Pty Limited	Australia	100	100
Advance Exchange Pty Limited	Australia	100	100
Concept Engineering (Aust) Pty Limited	Australia	100	100
Concept Employment (Aust) Pty Limited	Australia	100	100
AIVD Holdings Pty Limited	Australia	100	100
Australian Institute of Vocational Development Pty Limited	Australia	100	100
TBRC Holdings Pty Limited	Australia	100	100
The Blackadder Recruitment Company Pty Limited	Australia	100	100
ADV Services Pty Limited	Australia	100	100
Training Support Group Pty Limited	Australia	100	100
Advance Recruitments Pty Limited	Australia	100	100
Ashley Institute Holdings Pty Limited	Australia	100	100
Ash Pty Limited	Australia	100	100
Capra Ryan Online Learning Pty Limited	Australia	100	100
Tracmin Pty Limited	Australia	100	100
Integracom Unit Trust[1]	Australia	100	100
Cantillon Holdings Pty Limited[2]	Australia	100	100
College of Innovation and Industry Skills Pty Limited[3]	Australia	100	100
Global Education and Training Group Pty Limited[4]	Australia	100	100
AWF Training 1 Pty Limited[5]	Australia	100	-
AWF Training 2 Pty Limited[5]	Australia	100	-
AWF Training 3 Pty Limited[5]	Australia	100	-
AWF Training 4 Pty Limited[5]	Australia	100	-
AWF Training 5 Pty Limited[5]	Australia	100	-

Notes to the Financial Statements

	Country of incorporation	2016 percentage owned %	2015 percentage owned %

Notes:

1. Integracom Unit Trust was acquired on 21 August 2014.
2. Cantillon Holdings Pty Limited was a company incorporated on 19 September 2014.
3. College of Innovation and Industry Skills Pty Limited (Cantillon) was a company acquired on 25 September 2014.
4. Global Education and Training Group Pty Limited (SILK) was a company acquired on 30 April 2015.
5. These new companies were incorporated on 24 September 2015.

26. PARENT ENTITY DISCLOSURES

a. Financial position

	2016 $000	2015 $000
Assets		
Current assets	92	92
Non-current assets	22,513	88,479
Total assets	**22,605**	**88,571**
Liabilities		
Current liabilities	-	-
Non-current liabilities	-	-
Total liabilities	**-**	**-**
Net assets	**22,605**	**88,571**
Equity		
Share capital	92,242	92,242
Retained earnings	(69,637)	(3,671)
Total equity	**22,605**	**88,571**

b. Statement of profit or loss and other comprehensive income

	2016 $000	2015 $000
(Loss)/Profit for the year	(65,966)	(3,674)
Other comprehensive income	-	-
Total comprehensive (loss)/income	**(65,966)**	**(3,674)**

c. Contingent liabilities of the Parent Entity

The Parent entity had no contingent liabilities as at 30 June 2016. The Parent entity is aware that IMF Bentham Limited ("IMF") announced on 17 August 2015 that is proposed to fund claims of certain ASH shareholders against the Company for alleged misstatements or omissions in its prospectus dated 7 August 2014 (see Note 28 for more detail).

d. Commitments for expenditure for the Parent entity

The Parent entity had nil committed expenditure as at 30 June 2016 (30 June 2015: nil).

Notes to the Financial Statements

27. RELATED PARTY TRANSACTIONS

a. Parent company

There is no ultimate parent company for Ashley Services Group Limited.

b. Transactions with related entities

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties are as follows:

	2016 $	2015 $
Rent paid or payable to Shrimpton Holdings Pty Limited as trustee for the Shrimpton Family Trust, an entity which is controlled by Mr Ross Shrimpton for the head office at Arndell Park, New South Wales	205,088	197,200
Loan balances from entities associated with Mr Ross Shrimpton. These are unsecured and non-interest bearing loans. These loans were largely extinguished as a result of the restructure which occurred since reporting date.	-	210,000
Fees payable to PKF Lawler Corporate Finance Pty Limited (of which Vince Fayad is a Director) for services related to IPO, Interim Chief Financial Officer and sundry financial services	17,900	308,994
Fees payable to Trood Pratt & Co (of which Ian Pratt is a Partner) for taxation services	97,364	138,203

28. SECURED AND CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2016.

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

The Group has become aware that IMF Bentham Limited (“IMF”) announced on 17 August 2015 that is proposed to fund claims of certain ASH shareholders against the Company for alleged misstatements or omissions in its prospectus dated 7 August 2014.

The Group has ceased discussions with IMF Bentham in relation to its proposed class action. No legal proceedings have been served.

The Company denies any liability and believes there is no proper foundation for any such claim. The Company would vigorously defend any proceedings if ever commenced.

29. FINANCIAL INSTRUMENTS

a. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in Note 1 to the financial statement.

b. Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group’s financial management framework. The Board has an established Audit and Risk Management Committee which is responsible for developing and monitoring the Group’s financial management policies. The Committee provides regular reports to the Board of Directors on its activities.

Notes to the Financial Statements

The Audit and Risk Management Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

The main risks arising from the Group's financial instruments are market risk (including fair value interest rate risk), credit risk and liquidity risk. The Board reviews and approves policies for managing each of these risks.

The Audit and Risk Management Committee oversees how management monitors compliance with risk management policies and procedures and review the adequacy of the risk management framework in relation to the risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purpose.

c. Market risk

Interest rate risk

The Group is exposed to interest rate risk associated with borrowed funds at floating interest rates. During the financial year, risks associated with interest rate movements were monitored by the Board; however, no hedging instruments were considered necessary to manage the risk.

The Group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At the reporting date, if interest rates had been 100 basis points higher or lower and all other variables were held constant, the effect on the Group would be as follows:

	2016 $000	2015 $000
Change in profit		
Increase in interest rates of 1%	16	124
Decrease in interest rates of 1%	(16)	(124)
Change in equity		
Increase in interest rates of 1%	16	124
Decrease in interest rates of 1%	(16)	(124)

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 has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Trade receivables consist of a large number of customers. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The carrying value of trade receivables recorded in the financial statements, net of any impairment allowances, represents the Group's maximum exposure to credit risks.

Notes to the Financial Statements

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counter parties are a reputable bank with high quality external credit ratings.

The maximum credit risk exposure of financial assets is their carrying amount in the financial statements.

d. Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Managing Director and Board of Directors, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously comparing actual cash flows with forecasts and matching the maturity profiles of financial assets and liabilities. Included in Note 15 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been presented based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group may be required to pay. The table includes both interest and principal cash flows.

Financial liabilities

2016	Weighted average effective interest rate %	Within 1 year $000	1 to 5 years $000	Over 5 years $000	Total $000
Trade and other payables	n/a	18,982	-	-	18,982
Borrowings – bank	4.45%	-	-	-	-
Finance leases	n/a	102	-	-	102
Other liabilities – Vendor earn-out	n/a	942	-	-	942
Total		**20,026**	**-**	**-**	**20,026**

2015	Weighted average effective interest rate %	Within 1 year $000	1 to 5 years $000	Over 5 years $000	Total $000
Trade and other payables	n/a	22,300	-	-	22,300
Borrowings – bank	4.4%	-	-	-	-
Finance leases	n/a	226	-	-	226
Other liabilities – Vendor earn-out	n/a	-	4,660	-	4,660
Total		**22,526**	**4,660**	**-**	**27,186**

Fair value of financial instruments

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- **level 1** – the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices;

- **level 2** – the fair value of other financial assets and liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- **level 3** – where quoted prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The valuation used for instruments categorised as Level 2 and 3 are described below:

Contingent consideration (level 3)

Under the terms of the transaction with the vendors of Concept, Integracom, Cantillon and SILK there were various earn out payments, which are subject to revenue and profit targets depending upon the individual acquisition.

The fair value of contingent consideration is estimated using the present value technique. The fair value is estimated by probability-weighting the estimated future cash outflows, adjusting for risk and discounting at 6%. The probability-weighted cash outflows before discounting have been assessed as follows:

- in relation to the acquisition of Concept, nil (out of an original maximum of $450,000)
- in relation to the acquisition of Integracom, nil (out of an original maximum of $15 million)
- in relation to the acquisition of Cantillon, nil (out of an original maximum of $745,000)
- in the relation to the acquisition of SILK, $1.25 million, of which $0.3 million was paid in February 2016 and the remainder will be payable in September 2016, subject to certain conditions.

The discount rate used of 6% is based on the Group's estimated incremental borrowing rate for unsecured liabilities at the reporting date, and therefore reflects the Group's credit position. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

30. OPERATING LEASE COMMITMENTS

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2016 $000	2015 $000
Leases as lessee		
Less than one year	2,897	2,461
Between one and five years	5,303	5,423
Total	**8,200**	**7,884**

The Group leases a number of offices under operating leases. The leases run over varying periods, some with option periods. Some of the leases have fixed rate rental periods, and some have market rate rental adjustments.

Of these obligations, $1.8 million has already been expensed as part of the loss from discontinued operations.

31. EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years, except for the following:

Subsequent to year end, the Company has revised its funding arrangements by establishing an 'evergreen' invoice discount facility with a Big 4 bank at competitive rates. The BankWest debt facility reduced from $15 million to $10 million in August 2016 and will be reduced to $5 million over the next 4 months. This will provide the Company with equivalent liquidity at comparable cost to the previous $15 million facility. The term of the BankWest facility is unchanged (still 29 October 2017) and includes a similar covenant package, albeit financial measures have been re-set to the Company's current business plan.

Key terms of the revised facility agreement are outlined in Note 15 to the financial statements.

In addition, on 19 August 2016 the Company served legal proceedings filed in the Supreme Court of New South Wales against Holmes Management Group Pty Limited, the vendor of the Integracom telecommunications training business acquired in August 2014. These proceedings relate to alleged breaches of warranties under the Unit Sale and Purchase Agreement for the acquisition. It is not possible at this time to quantify the likely financial impact of these proceedings.

32. EMPLOYEE SHARE RIGHTS PLAN

The Company implemented a performance rights share plan for its executives, which operated during the financial years ended 30 June 2015 and 30 June 2016. The terms of the 2016 Performance Plan have been outlined in the Directors' Report (Table 7) within this Annual Report. For details of Performance Rights issued during the financial year, see Note 18.

Notes to the Financial Statements

33. DIVIDENDS

a. Ordinary shares

	Record Date	Payment Date	Cents Per Share	Franked Amount Per Share (Cents)
Final Dividend – 2015	4 September 2015	25 September 2015	4.1	4.1

No dividends were declared or paid in relation to the year ended 30 June 2016.

b. Franking credits

	2016 $000	2015 $000
Franking credits available for subsequent financial years based on a tax rate of 30% (2015: 30%)	3,869	6,562

The balance of the franking accounts includes:

- franking credits that arose from the payment of the amount of the provision for income tax;
- franking debits that arise from the refund of the amount of the provision for income tax;
- franking debits that arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that arise from the receipt of dividends recognised as receivables at the reporting date.

ASX Additional Information

Set out below is additional information as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report. This information is effective as at 8 August 2016.

Number of security holders and securities on issue

Quoted equity securities

Ashley Services has on issue 150,000,000 fully paid ordinary shares which are held by 684 shareholders.

Voting rights

Quoted equity securities

The voting rights attached to fully paid ordinary shares are that on a show of hands, every member present, in person or proxy, has one vote and upon a poll, each share shall have one vote.

Distribution of security holders

Quoted equity securities

Ordinary fully paid ordinary shares

Holding	Number of shareholders	Number of shares	%
1 – 1,000	159	124,333	0.08
1,001 – 5,000	151	364,038	0.24
5,001 – 10,000	85	681,580	0.45
10,001 – 100,000	221	7,904,650	5.27
100,001 and over	68	140,925,399	93.95
Total	**684**	**150,000,000**	**100.00**

Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of Fully Paid Ordinary shares is 240 with a total number of shares held is 237,489.

Substantial Shareholders

The number of securities held by substantial shareholders and their associates are set out below:

Fully Paid Ordinary Shares

Name	Number	%
Ross Shrimpton and his related entities.[1]	92,060,544	61.37%
National Nominees Limited ATF Australian Ethical Investments	16,109,959	10.74%

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

Unquoted equity securities

There are no unquoted shares.

On-market buy-back

There is no current on-market buy-back.

Twenty largest shareholders

ASX Additional Information

Fully paid ordinary shares

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

Name	Number of shares	%
Mrs Catherine Shrimpton	60,858,282	40.57%
Action James Holdings Pty Limited	22,178,166	14.79%
National Nominees Limited	16,109,959	10.74%
Holmes Management Group Pty Ltd	6,024,096	4.02%
JJC Group (Aust) Pty Ltd	3,755,832	2.51%
Mr Craig Graeme Chapman	2,375,432	1.58%
Yellow Diamond Pty Ltd	2,572,084	1.71%
HSBC Custody Nominees (Australia) Limited	2,345,937	1.56%
Aust Executor Trustees Ltd	1,582,009	1.05%
Mr Marc Shrimpton	1,500,000	1.00%
Mr Dean Michael Shrimpton	1,500,000	1.00%
Mr Andrew Douglas Shrimpton	1,500,000	1.00%
Mr Marcus Andrew Levy and Vanessa Sanchez-Levy	1,189,717	0.79%
Hishenk Pty Ltd	1,150,000	0.77%
Nicola Jagusch	1,103,072	0.74%
Aust Executor Trustees Ltd	874,575	0.58%
Friendlyfly Pty Ltd	700,000	0.47%
Kingston Properties Pty Limited	679,618	0.45%
Mr Gerald Francis Pauley and Mr Michael James Pauley	639,199	0.43%
Mr Stewart George Cummins	600,000	0.40%
Total	**129,237,978**	**86.16%**

Annual General Meeting

The annual general meeting of the Company will be held at the company's offices at Level 10, 92 Pitt Street Sydney NSW 2000 at 10.00am on Wednesday 9 November 2016. Shareholders who are unable to attend the meeting are encouraged to complete and return their proxy form that will accompany the notice of meeting.

Corporate Directory

Non-Executive Directors

Mr Ian Pratt (Chairman)
Mr Ross Shrimpton

Executive Directors

Mr Marc Shrimpton
Mr Stewart Cummins – Managing Director and CEO

Company Secretary

Mr Ron Hollands

Registered Office

Level 10
92 Pitt Street
Sydney NSW 2000

Australian Company Number

094 747 510

Australian Business Number

92 094 747 510

Auditors

Grant Thornton Audit Pty Ltd
Level 17
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Telephone: + 61 2 8297 2400
Facsimile: + 61 2 9299 4445

Legal Adviser

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Telephone: + 61 2 9225 5000
Facsimile: + 61 2 9322 4000

Bankers

BankWest
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Sydney NSW 2000
Telephone: + 61 2 9276 8000
Facsimile: 1300 453 796

Share Registry

Link Market Services Limited
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Perth WA 6000
Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303
Website: www.linkmarketservices.com.au

Website

www.ashleyservicesgroup.com.au

ASX Code

ASH