

**MainstreamBPO Pty Ltd and
Consolidated Entities**

ABN 48 112 252 114

Financial Statements
For period 1 July 2013 to 30 June 2014

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Directors' report

30 June 2014

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of MainstreamBPO Pty Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled for the year ended 30 June 2014.

Directors

The names of the Directors holding office during the financial year are set out below, together with details of Directors' experience, qualifications, special responsibilities and organisations in which each of the Directors have declared an interest.

<i>Name of Directors</i>	<i>Period as Director</i>	<i>Qualifications, experience and special responsibilities</i>
Byram Johnston, Director	Since Inception (21 March 2006)	<p>Byram is a founder and director of MainstreamBPO. Prior to establishing MainstreamBPO, Byram was the managing partner for international consulting firms and outsourcing organisations including Arthur Andersen, Andersen Consulting, AT Kearney, PA Consulting, The IQ Business Group and FinancialBPO. He has a wealth of experience in business strategy, operating models and business process solutions. This has allowed him in more recent times to focus on the design, implementation and management of business process outsource solutions.</p> <p>Byram holds key positions with various bodies including Chairman of an ASX listed company. He is a Chairman of the Audit Committee of ASIC. He holds a Bachelor of Economics and is CA qualified. He was President of the Institute of Chartered Accountants in 1995-96. Byram was awarded an Order of Australia Medal in 2005.</p>
Martin Smith, Chief Executive Officer	Since Inception (21 March 2006)	<p>Martin is a founder and director of MainstreamBPO. Prior to MainstreamBPO Martin worked for FinancialBPO, The IQ Business Group and Andersen Business Consulting designing, implementing and managing outsourcing/shared services arrangements across a range of industries including Financial Services, Government, Health, Real Estate, Logistics and Information Technology. He brings to MainstreamBPO extensive process, technology and people experience. Martin gained his skills with Coles Myer as the Financial Controller of Liquorland from 1993 to 1999. Martin holds a Bachelor of Business, Masters of Commerce and is a CPA.</p>

Directors have been in office during this reporting period.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Directors' Meetings

During the period 6 directors meetings were held. Each meeting adopted the following agenda items:

1. Review Previous Minutes
2. Financial Results
3. Business Update – operational performance and compliance
4. Business Development
5. Specially Protected Matters (constitution governs SPMs)
6. Approvals Framework
7. Risk Management
8. Compliance Meeting Report
9. Other Business

Principal activities

- FundBPO funds under administration increased with existing clients receiving significant inflows;
- FundBPO completed one large complex transition during the year from a competitor and FundBPO also expanded existing client relationships with new funds;
- SuperBPO continued to perform at the level set by the directors and financial results exceeded budget for the year; and
- MainstreamITO Pty Ltd continued to provide IT infrastructure support to external clients and to the MainstreamBPO owned businesses.

Dividends

Dividends paid during the financial year were as follows:

	2014	2013
	\$	\$
Dividends paid	125,000	312,500

On 30 August 2013 the directors declared a final dividend of \$125,000 for the year ended 30 June 2013 that was paid in September 2013.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$318,824.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

The business completed the purchase of a Hong Kong fund administrator (HFO Limited) on 1 July 2014.

Likely developments and expected results of operations

The likely developments in the operations of the Company and the expected results of those operations in future financial years are:

- FundBPO has budgeted for a steady growth in revenue and is on track to deliver for the first half of the 2014/2015 year;
- SuperBPO is on track to deliver to budget;
- Singapore revenue is growing as expected; and
- ShareBPO will drive revenue in the listed share registry business.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Environmental regulation

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

Shares under option

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

Indemnity and Insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

The company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

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 company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The company was not a party to any such proceedings during the year.

Rounding of amounts

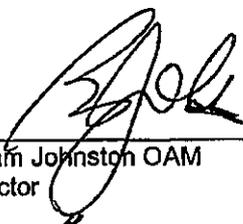
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest dollar.

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 the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors of the Board of Directors:



Byron Johnston OAM
Director

Date: 24 November 2014
Sydney

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

**Auditor's independence declaration
to the Directors of MainstreamBPO Pty Ltd**

In relation to our audit of the consolidated financial report of MAINSTREAMBPO PTY LTD for the financial period from 1 July 2013 to 30 June 2014, to the best of my knowledge and belief, there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional of conduct.

Surry Partners Accountants Pty Ltd



**Brett Miller
Director**

Registered Company Auditor

Dated: 20 November 2014

Level 1, 483 Riley Street, Surry Hills NSW 2010

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Financial report

30 June 2014

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General information

The financial report covers MainstreamBPO Pty Ltd as a consolidated entity consisting of MainstreamBPO Pty Ltd and the entities it controlled. The financial report is presented in Australian dollars, which is MainstreamBPO Pty Ltd's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

MainstreamBPO Pty Ltd is a company limited by shares.

The financial report was authorised for issue, in accordance with a resolution of directors, on 24 November 2014. The directors have the power to amend and reissue the financial report.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES**Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014**

		Consolidated	
	Note	2014	2013
		\$	\$
Revenue			
Fee Income		9,467,109	7,529,984
Other operating income		3,193,425	2,492,604
Interest Income		85,301	91,706
Total income	3	12,745,835	10,114,294
Expenses			
Accounting and Audit Fees		243,229	141,188
Amortisation and depreciation expense		186,819	147,292
Bank fees and charges		67,641	65,691
Consultant fees		336,081	386,169
Employee benefits expense		6,909,619	5,356,194
Insurance		142,913	121,055
Interest expense		121,775	801,164
IT Support and expenses		1,568,884	1,059,703
Legal fees		26,494	5,061
Management Expense		1,125,000	947,631
Occupancy & General Expenses		1,083,089	792,477
Other expenses		281,152	250,101
Total expenses		12,092,696	10,073,726
Profit (Loss) before income tax expense		653,139	40,568
Income tax expense	4	334,315	(42,518)
Profit (Loss) after income tax expense for the year	17	318,824	83,086
Other comprehensive income			
Foreign currency translation		4,906	-
Other comprehensive income for the year, net of tax		4,906	-
Total comprehensive income for the year attributable to the owners of MainstreamBPO Pty Ltd		323,730	83,086

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES
Statement of financial position
As at 30 June 2014

	Note	Consolidated	
		2014	2013
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents	5(a)	921,645	708,067
Trade and other receivables	6	1,321,034	1,017,002
Other	7	94,747	101,388
Total Current Assets		2,337,426	1,826,457
Non-Current Assets			
Property, plant and equipment	8 (a)	1,994	-
Office equipment	8 (b)	22,012	35,667
Computer equipment	8 (c)	76,369	46,489
Software	8 (d)	568,204	548,706
Intangible assets	9	4,049,785	3,929,785
Total Non-Current Assets		4,718,364	4,560,647
Total Assets		7,055,790	6,387,104
Liabilities			
Current Liabilities			
Current tax		273,584	239,040
Trade Creditors	10	444,233	373,939
Provisions		381,784	543,554
Other	11	983,448	982,467
Total Current Liabilities		2,083,049	2,139,000
Non-Current Liabilities			
Interest-bearing liabilities	12	2,212,235	2,330,000
Deferred Tax		(84,569)	(228,241)
Other	13	500,000	-
Total Non-Current Liabilities		2,627,666	2,101,759
Total Liabilities		4,710,715	4,240,759
Net Assets		2,345,075	2,146,345
Equity			
Share equity	15	1,745,760	1,745,760
Reserve	16	416,703	416,703
Final dividend	18	(125,000)	(312,500)
Retained profits	17	302,706	296,382
Accumulated other comprehensive income		4,906	-
Total Equity		2,345,075	2,146,345

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Statement of changes in equity For the year ended 30 June 2014

	Issued Capital	Reserves	Retained Profits	Accumulated other comprehensive income	Total Equity
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2012	1,745,760	416,703	213,296	-	2,375,759
Profit after income tax expense for the year	-	-	83,086	-	83,086
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	83,086	-	83,086
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	(312,500)	-	(312,500)
Balance at 30 June 2013	1,745,760	416,703	(16,118)	-	2,146,345

	Issued Capital	Reserves	Retained Profits	Accumulated other comprehensive income	Total Equity
	\$	\$	\$	\$	\$
Consolidated					
Balance at 1 July 2013	1,745,760	416,703	(16,118)	-	2,146,345
Profit after income tax expense for the year	-	-	318,824	-	318,824
Other comprehensive income for the year, net of tax	-	-	-	4,906	4,906
Total comprehensive income for the year, net of tax	-	-	318,824	4,906	323,730
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs	-	-	-	-	-
Dividends paid	-	-	(125,000)	-	(125,000)
Balance at 30 June 2014	1,745,760	416,703	177,706	4,906	2,345,075

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Statement of cash flows

For the year ended 30 June 2014

		Consolidated	
	Note	2014	2013
		\$	\$
Cash flows from operating activities			
Fee income received		12,681,423	9,910,325
Other income received		-	-
Operating expenses paid		(12,623,311)	(9,355,841)
		<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	5 (b)	58,112	554,484
Cash flows from investing activities			
Purchase of capitalised software & equipment		(224,534)	(104,713)
Costs of acquisition		(120,000)	(240,000)
		<hr/>	<hr/>
Net cash outflow from investing activities		(344,534)	(344,713)
Cash flows from financing activities			
Proceeds from interest bearing loan		500,000	240,000
Proceeds from issuing shares		-	-
		<hr/>	<hr/>
Net cash inflow from financing activities		500,000	240,000
Net change in cash balance during the year		213,578	449,771
Cash at the beginning of the financial year		708,067	258,296
		<hr/>	<hr/>
Cash at the end of the financial year	5 (a)	921,645	708,067

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES
Notes to the financial statements
30 June 2014

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The consolidated entity has early adopted AASB 1053 'Application of Tiers of Australian Accounting Standards', AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements' and later amending Standards, as relevant. No other new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have been early adopted.

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 1053 Application of Tiers of Australian Accounting Standards

The consolidated entity has early adopted AASB 1053 from 1 July 2012. This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements, being Tier 1 Australian Accounting Standards and Tier 2 Australian Accounting Standards - Reduced Disclosure Requirements. The consolidated entity being classed as Tier 2 continues to apply the full recognition and measurements requirements of Australian Accounting Standards with substantially reduced disclosure in accordance with AASB 2010-2 and later amending Standards, as relevant.

AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

The consolidated entity has early adopted AASB 2010-2 from 1 July 2012. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations, to introduce reduced disclosure requirements to the pronouncements for application by certain types of entities in preparing general purpose financial statements. The adoption of these amendments has significantly reduced the consolidated entity's disclosure requirements.

AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project - Reduced Disclosure Requirements

AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements and AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments

The consolidated entity has early adopted AASB 2011-2, AASB 2012-7 and 2012-11 amendments from 1 July 2012, to the extent that they related to other standards already adopted by the consolidated entity. These amendments make numerous modifications to a range of Australian Accounting Standards and Interpretations to significantly reduce the consolidated entity's disclosure requirements.

AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets

The consolidated entity has applied AASB 2010-8 amendments from 1 July 2012. These amendments offer a practical approach for the measurement of deferred tax relating to investment properties measured at fair value, property, plant and equipment and intangible assets measured using the revaluation model. The measurement of deferred tax for these specified assets is based on the presumption that the carrying amount of the underlying asset will be recovered entirely through sale, unless the entity has clear evidence that economic benefits of the underlying asset will be consumed during its economic life.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income

The consolidated entity has applied AASB 2011-9 amendments from 1 July 2012. The amendments requires grouping together of items within other comprehensive income on the basis of whether they will eventually be 'recycled' to the profit or loss (reclassification adjustments). The change provides clarity about the nature of items presented as other comprehensive income and the related tax presentation. The amendments also introduced the term 'Statement of profit or loss and other comprehensive income' clarifying that there are two discrete sections, the profit or loss section (or separate statement of profit or loss) and other comprehensive income section.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 22.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of MainstreamBPO Pty Ltd ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. MainstreamBPO Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The effects of potential exercisable voting rights are considered when assessing whether control exists. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. Refer to the 'business combinations' accounting policy for further details. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

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

Foreign currency transactions

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

Foreign operations

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

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

Revenue recognition

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

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Rendering of services

Rendering of services revenue from computer maintenance fees is recognised by reference to the stage of completion of the contracts.

Stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably estimated, revenue is only recognised to the extent of the recoverable costs incurred to date.

Interest

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

Rent

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

Other revenue

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

Income tax

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

Trade and other receivables

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to particular risk associated with a recognised asset or liability or a firm commitment which could affect income or expenses. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

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

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associates. Dividends received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted. The fair values of quoted investments are based on current bid prices. For unlisted investments, the consolidated entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

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

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Impairment of financial assets

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

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

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the consolidated entity. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value, based on similar assets, location and market conditions. Movements in fair value are recognised directly to profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on date of change of use.

Investment properties also include properties under construction for future use as investment properties. These are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, at least every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the revaluation surplus reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the revaluation surplus reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to profit or loss.

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

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

Buildings	40 years
Leasehold improvements	3-10 years
Plant and equipment	3-7 years
Plant and equipment under lease	2-5 years

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

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

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

Leases

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

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

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

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Customer Contracts and Relationships

Customer contracts and relationships acquired as part of a business combination are recognized separately from goodwill. The customer contracts and relationships are carried at their fair value at the date of acquisition less any accumulated impairment loss.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 5-10 years.

Impairment of non-financial assets

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

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

Trade and other payables

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

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:

- interest on the bank overdraft
- interest on short-term and long-term borrowings
- interest on finance leases
- unwinding of the discount on provisions

Provisions

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

Employee benefits

Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

It is the company's policy to accrue the long service leave only for the employees with over ten years service period.

Defined contribution superannuation expense

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

Issued capital

Ordinary shares are classified as equity.

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

Dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the company.

Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 1. Significant accounting policies (continued)

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

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

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

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

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

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

Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 2. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets

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

Long service leave provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Warranty provision

In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually use the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Business combinations

As discussed in note 1, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 3. Revenue

	Consolidated	
	2014	2013
	\$	\$
Operating Activities:		
Other operating revenue:		
- Fee income	9,467,109	7,529,984
- Custody Revenue	36,550	5,000
- IMA and Hedge Fund Revenue	2,512,877	2,078,748
- Expense recovery	643,998	408,856
- Interest Income	85,301	91,706
	12,745,835	10,114,294

Note 4. Income tax expense

	Consolidated	
	2014	2013
	\$	\$
<i>Income tax expense</i>		
Current tax	280,702	139,740
Current tax adjustment	53,613	(182,258)
Income tax expense/(benefit)	334,315	(42,518)

Deferred tax included in income tax expense comprises:

Movement in deferred tax assets	(16,353)	97,452
Movement in deferred tax liabilities	(127,319)	(9,304)
Deferred tax	(143,672)	88,148
Profit before income tax expense	653,139	40,568
Tax at the statutory rate of 30%	195,942	12,170
Add:		
Tax effect of:		
Sundry non-deductible items	15,931	75
(Profit)/Loss from overseas company	(117,283)	100,015
Non-deductible items	130,291	-
Adjustments to prior periods	252,477	(242,926)
Income tax expense	334,315	(42,518)

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 5.(a) Current assets - cash and cash equivalents

	Consolidated	
	2014	2013
	\$	\$
Cash at bank	603,898	391,326
Rental Bond	317,747	316,741
	921,645	708,067

Reconciliation to cash and cash equivalents at the end of the financial year

The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

Balances as above	921,645	708,067
Bank overdraft	-	-
Balance as per statement of cash flows	921,645	708,067

Note 5.(b) Reconciliation of Cash Flow from Operating Activities

	Consolidated	
	2014	2013
	\$	\$
Profit/(Loss) from operating activities	653,139	40,568
Adjustments for:		
Amortisation expense	186,819	147,292
Changes in operating assets and liabilities		
(Decrease)/Increase in receivables	(304,032)	203,970
(Decrease)/Increase in other current assets	6,641	22,634
(Decrease)/Increase in payables	(484,455)	140,020
Cash inflows/(outflows) from operating activities	58,112	554,484

Note 6. Current assets - trade and other receivables

	Consolidated	
	2014	2013
	\$	\$
Trade debtors	1,321,034	1,017,002
	1,321,034	1,017,002

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 7. Current assets – other

	Consolidated	
	2014	2013
	\$	\$
Prepayments	94,747	101,302
Other debtors	-	86
	94,747	101,388

Note 8. Non-current assets - property, plant and equipment

	Consolidated	
	2014	2013
	\$	\$
a) Plant and equipment - at cost	20,280	-
Less: Accumulated depreciation	(18,286)	-
	1,994	-
b) Office Equipment – at cost	293,581	268,440
Less: Accumulated depreciation	(271,569)	(232,773)
	22,012	35,667
c) Computer Equipment – at cost	300,299	228,134
Less: Accumulated depreciation	(223,929)	(181,645)
	76,369	46,489
d) Capitalised software – at cost	1,160,500	1,035,362
Less: Accumulated amortisation	(592,296)	(486,656)
	568,204	548,706

Note 9. Non-current assets – intangibles

	Consolidated	
	2014	2013
	\$	\$
Business Combinations – Goodwill	2,589,072	2,589,072
Other Intangible Assets	1,460,713	1,340,713
	4,049,785	3,929,785

The Goodwill is derived from the acquisition of Group Benefits Pty Ltd and Other Intangible Assets is derived from the purchase of customer relationships and contracts from Group Benefits Pty Ltd and Perpetual Limited.

Note 10. Current liabilities - trade and other payables

	Consolidated	
	2014	2013
	\$	\$
Trade payables	444,233	373,939
	444,233	373,939

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 11. Current liabilities – Other

	Consolidated	
	2014	2013
	\$	\$
GST liability	167,829	455,321
Accrued expenses	568,020	429,522
PAYG Withholding Payable	127,502	97,624
Other	120,097	-
	983,448	982,467

Note 12. Non-current liabilities – interest Bearing

	Consolidated	
	2014	2013
	\$	\$
Secured Loans	2,212,235	2,330,000

This is secured by way of a fixed floating charge over the assets of Mainstream BPO Pty Limited.

Note 13. Non-current liabilities - other

	Consolidated	
	2014	2013
	\$	\$
Others	500,000	-

The purpose of the loan was the provision of a Settlement Bond issued by the Commonwealth Bank of Australia to ASX Settlement Pty Ltd.

Note 14. Operating leases

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

	Consolidated	
	2014	2013
	\$	\$
Not later than one year	717,150	703,189
Later than one year and not later than five years	1,675,753	2,393,862
	2,392,903	3,097,051

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 15. Equity - issued capital

	Consolidated		Consolidated	
	2014	2013	2014	2013
	Shares	Shares	\$	\$
Ordinary shares - fully paid	1,000	1,000	1,745,760	1,745,760

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 16. Equity - reserves

	Consolidated	
	2014	2013
	\$	\$
Revaluation surplus reserve	416,703	416,703
	416,703	416,703

Revaluation surplus reserve

The reserve is used to recognise increments and decrements in the fair value of software.

Note 17. Equity - retained profits

	Consolidated	
	2014	2013
	\$	\$
Retained profits at the beginning of the financial year	(16,118)	213,296
Profit after income tax expense for the year	318,824	83,086
Retained profits at the end of the financial year	302,706	296,382

Note 18. Equity - dividends

	Consolidated	
	2014	2013
	\$	\$
Dividends paid	125,000	312,500
	125,000	312,500

On 30 August 2013 the directors declared a final dividend of \$125,000 for the year ended 30 June 2013 that was paid in September 2013.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Note 19. Financial instruments

Interest Rate Risk

The consolidated entity's investment portfolio comprises deposits with banks, accounts receivable and payable, loans from banks. The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

2014	Note	Weighted average interest rate %	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets					
Cash and cash equivalents	5 (a)	2.50	921,645	-	921,645
Receivables	6		-	1,321,034	1,321,034
Other	7		-	94,747	94,747
			<u>921,645</u>	<u>1,415,781</u>	<u>2,337,426</u>
Financial liabilities					
Payables	10,11		-	1,180,082	1,180,082
Interest-bearing liabilities	12		2,212,235	-	2,212,235
Other		4.00%	500,000	-	500,000
			<u>2,712,235</u>	<u>1,180,082</u>	<u>3,892,317</u>

2013	Note	Weighted average interest rate %	Floating interest rate \$	Non-interest bearing \$	Total \$
Financial assets					
Cash and cash equivalents		2.40	708,067	-	708,067
Receivables			-	1,017,002	1,017,002
Other			-	101,388	101,388
			<u>708,067</u>	<u>1,118,322</u>	<u>1,826,457</u>
Financial liabilities					
Payables			-	1,258,782	1,258,782
Interest bearing liabilities			2,330,000	-	2,330,000
			<u>2,330,000</u>	<u>1,258,782</u>	<u>3,588,782</u>

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES**Note 20. Key management personnel disclosures***Compensation*

The aggregate compensation made to the key management personnel including Directors of the consolidated entity is set out below:

	Consolidated	
	2014	2013
Aggregate compensation	\$1,280,434	\$1,225,131

Note 21. Related party transactions*Subsidiaries*

Interests in subsidiaries are set out in note 23.

Transactions with related parties

There were no transactions occurred with related parties.

Receivable from and payable to related parties

There were no receivable nor payable to related parties

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

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

Note 22. Parent entity information

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

Statement of financial position

	Parent	
	2014	2013
	\$	\$
Total current assets	4,350,255	72,186
Total assets	4,542,449	83,117
Total current liabilities	551,733	798,537
Total liabilities	3,037,552	3,829,803
Equity		
Issued capital	1,745,600	1,744,800
Revaluation surplus reserve		
Retained profits	(240,703)	(5,616,486)
Total equity	1,504,897	(3,746,686)

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity and some of its subsidiaries are party to a deed of cross guarantee under which each company guarantees the debts of the others. No deficiencies of assets exist in any of these subsidiaries.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2014 and 30 June 2013.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

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

Note 23. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name of entity	Country of incorporation	Equity holding	
		2014 %	2013 %
FundBPO Pty Ltd	Australia	100.00	100.00
SuperBPO Pty Ltd	Australia	100.00	100.00
ShareBPO Pty Ltd	Australia	100.00	100.00
PropertyBPO Pty Ltd	Australia	100.00	100.00
MainstreamITO Pty Ltd	Australia	100.00	100.00
MortgageBPO Pty Ltd	Australia	100.00	100.00
LegacyBPO Pty Ltd	Australia	100.00	100.00
AdminBPO Pty Ltd	Australia	100.00	100.00
FundBPO Pte Ltd	Singapore	100.00	100.00

Note 24. Events after the reporting period

The business completed the purchase of a Hong Kong fund administrator (HFO Limited) on 1 July 2014. The capital commitment of which is not expected to be material as of the date of this report.

END OF FINANCIAL STATEMENTS

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 22 to the financial statements.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Byram Johnston OAM
Director

Date: 27 November 2014
Sydney



INDEPENDENT AUDITOR'S REPORT
to the Directors of MainstreamBPO Pty Ltd

Report on the Financial Report

We have audited the accompanying financial report of MainstreamBPO Pty Ltd., which comprises the statements of financial position as at 30 June 2014, the statements of comprehensive income, the statements of changes in equity and the statements 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 company and 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* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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 that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MainstreamBPO Pty Ltd., would be in the same terms if given to the directors as at the time of this auditor's report.

MAINSTREAMBPO PTY LTD AND CONSOLIDATED ENTITIES

Opinion

In our opinion the financial report of MainstreamBPO Pty Ltd. is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial positions as at 30 June 2014 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

Surry Partners Accountants Pty Limited
L1 483 Riley Street, Surry Hills NSW 2010



Brett Miller

Auditor

Dated: 25th November 2014.