



ASHLEY SERVICES GROUP

TRAINING | RECRUITMENT | LABOUR HIRE



Prospectus

for the offer of 59.5 million shares
at an issue price of \$1.66 per share
to raise a total of \$98.7 million

7 August 2014

Joint Lead Managers and Underwriters

Financial Adviser

CANACCORD|Genuity



PKF lawler^o
corporate finance

Important Information

NOTICE

This Prospectus seeks to raise \$98.7 million by offering for subscription 59.5 million Shares at an Issue Price of \$1.66 per Share, payable in full on application.

This is a replacement prospectus. This replacement prospectus is dated 7 August 2014 and a copy of this prospectus was lodged with ASIC on that date. This replacement prospectus replaces a prospectus dated and lodged with ASIC on 1 August 2014. For the purposes of this document, this replacement prospectus will be referred to as the "Prospectus". Neither ASIC nor the ASX, nor any of their respective officers, take any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates. Ashley Services will apply for admission to the Official List of the ASX and quotation of the Shares on the ASX within seven (7) days after the date of this Prospectus. No Shares will be issued or allotted pursuant to this Prospectus later than thirteen (13) months after the date of this Prospectus.

The Offer does not take into account your investment objectives, financial needs and circumstances. You should read this Prospectus in its entirety before deciding to complete and lodge an Application Form. In particular, in considering the prospects of Ashley Services, you should consider the risk factors that could affect the performance of Ashley Services (see section 5). You should consider these factors in light of your personal circumstances (including financial and taxation issues). If you have any questions you should seek professional advice from your stockbroker, accountant or other professional adviser prior to lodging an Application Form.

Applications for Shares can only be made via the Application Forms accompanying this Prospectus or a paper copy of the Application Form accompanying the online version of this Prospectus, completed in accordance with the instructions on the reverse of that Application Form, which is available for download at www.ashleyservicesgroup.com.au/prospectus. Any Application Form sent in electronic form will not be accepted.

DISCLAIMER

No person is authorised to give any information or make any representation in connection with the Offer described in this Prospectus that is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Ashley Services, the Directors or any other person involved in the preparation of this Prospectus or the making of the Offer.

EXPOSURE PERIOD

The Corporations Act prohibits Ashley Services from processing Applications received until after the expiry of the exposure period. The exposure period is the seven day period from the date of this Prospectus and may be extended

by ASIC by a further seven days. The purpose of the exposure period is to enable this Prospectus to be examined by market participants prior to the offering of Shares. That examination may result in the identification of deficiencies in this Prospectus, in which case any Application received may need to be dealt with in accordance with section 724 of the Corporations Act.

This Prospectus will be made generally available to Australian and New Zealand residents during the exposure period by being posted on Ashley Services' website at www.ashleyservicesgroup.com.au/prospectus. A paper copy of this Prospectus will be available to Australian and New Zealand residents during the exposure period on request to the Share Registry on 1300 361 735 (within Australia) or +61 1300 361 735 (outside Australia). Applications under this Prospectus received during the exposure period will not be processed until after the expiry of the exposure period. No preference will be conferred on Applications received during the exposure period.

Ashley Services reserves the right to extend the Offer, close the Offer early or withdraw the Offer, in each case without notice.

ELECTRONIC PROSPECTUS

This Prospectus is available for download at www.ashleyservicesgroup.com.au/prospectus. The Offer constituted by this Prospectus in electronic form is only available to residents of Australia and New Zealand. Persons who access the electronic version of this Prospectus should ensure they download and read this Prospectus in its entirety. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to a complete paper copy of this Prospectus or the complete and unaltered electronic version of this Prospectus. A paper copy of this Prospectus will be provided free of charge to any person who requests a copy by contacting the Share Registry on 1300 361 735 (within Australia) or +61 1300 361 735 (outside Australia) during the Offer Period.

In addition, and in order to satisfy the requirements of the Securities Act (Australian Issuers) Exemption Notice 2002 issued by the Securities Commission of New Zealand, Ashley Services will send without fee and within five days of receiving a request during the Offer Period, a copy of this Prospectus, any documents that under the laws of Australia must accompany this Prospectus such as the Application Form and any document lodged with ASIC referred to in the Prospectus.

NOTICE TO NEW ZEALAND INVESTORS

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings

— Australia) Regulations 2008. This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act 2001 and Regulations (Australia) set out how the offer must be made. There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities. Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Financial Markets Authority, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint. The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser. The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant. If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars. If the securities are able to be traded on a securities market and you wish to trade the securities through that market, you will have to make arrangements for a participant in that market to sell the securities on your behalf. If the securities market does not operate in New Zealand, the way in which the market operates, the regulation of participants in that market, and the information available to you about the securities and trading may differ from securities markets that operate in New Zealand.

PRIVACY

If you apply for Shares, you will be required to provide personal information to Ashley Services and the Share Registry. Ashley Services, the Joint Lead Managers to the Offer and the Share Registry will collect, hold and use your personal information in order to assess your Application, and if your Application is successful, in order to service your needs as an investor, provide facilities and services that you request and carry out appropriate administration in accordance with company and tax law. All personal information will be collected in accordance with the National Privacy Principles as set out in the Privacy Act. If you do not provide the information requested, your Application may not be able to be accepted or processed.

Once you become a Shareholder, the Corporations Act requires information about you (including your name, address and the number of Shares that you hold) to be included

in Ashley Services' public register. This information must continue to be included in Ashley Services' public register even if you cease to be a Shareholder.

Ashley Services and the Share Registry may disclose your personal information to their agents and service providers for purposes related to your investment, including those listed below, or as otherwise authorised under the Privacy Act. These agents and service providers may include, but are not limited to:

- the Share Registry, for ongoing administration of the share register;
- the printers and the mail house, for the purposes of preparation and distribution of statements and for handling of mail;
- market research companies for the purpose of analysing the Shareholder base and for product development and planning; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the Shares and for associated actions.

Ashley Services' agents and service providers may be located outside Australia where your personal information may not receive the same level of protection as that afforded under Australian law.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) Ashley Services and the Share Registry. You can request access to your personal information by telephoning or writing to Ashley Services through the Share Registry as follows:

Link Market Services
Central Park, Level 4, 152 St Georges Terrace,
Perth WA 6000

+61 1300 554 474 (within and outside of Australia)

Your information may also be used from time to time to inform you about other products and services offered by Ashley Services and which Ashley Services considers may be of interest to you.

COMPANY WEBSITE

Any references in this Prospectus to documents included on Ashley Services' website are provided for convenience only and none of these documents or other information on the website is incorporated by reference into this Prospectus.

DEFINITIONS TERMS, TIME AND CURRENCY

Defined terms and abbreviations used in this Prospectus are explained in the Glossary set out on page 138 of this Prospectus. Unless otherwise stated or implied, references to times in this Prospectus are to AEST.

Important Information

NO COOLING OFF PERIOD

Applicants have no cooling off rights in relation to Shares for which they apply. This means that an Applicant is not permitted or entitled to withdraw its Application once submitted, other than in certain specified circumstances as detailed in the Corporations Act.

FINANCIAL AMOUNTS

The financial amounts in this Prospectus are expressed in Australian dollars unless otherwise stated. Any discrepancies between the totals and sums of components in tables contained in this Prospectus are due to rounding.

INDUSTRY AND MARKET DATA

Industry and market data used throughout this Prospectus was, in most instances, obtained from surveys or studies conducted by third parties, and industry and general publications. Investors should note that data on the Australian and global education and training and labour hire industries comes from a large variety of sources, often conflicts with other sources measuring the same elements, and conclusions to be drawn from these data sets can vary widely. Every attempt has been made to use credible data from recognized sources in this Prospectus, but conflicting data exists for virtually all types.

FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements which are identified by words such as “may”, “could”, “believes”, “estimates”, “expects”, “intends” and other similar words that involve risks and uncertainties. In addition, consistent with customary market practice in offerings in Australia, forecast financial information has been prepared and included in this Prospectus in section 3. Any forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause actual events or outcomes to differ materially from the events or outcomes expressed or anticipated in these statements, many of which are beyond the control of Ashley Services. Forecast financial information and the forward-looking statements should be read in conjunction with, and qualified by reference to, the risk factors as set out in section 5, the general and specific assumptions set out in sections 3.11.1 and 3.11.2, the sensitivity analysis set out in section 3.12 and other information contained in this Prospectus.

The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on such forward-looking statements. Ashley Services has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law. This Prospectus, including the industry

overview in section 2, uses market data and third party estimates and projections. There is no assurance that any of the third party estimates or projections contained in this information will be achieved. Ashley Services has not independently verified this information.

Estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in the risk factors set out in section 5.

PHOTOGRAPHS

Certain assets that are the subject of photographs contained in this Prospectus may not be owned by Ashley Services or any other subsidiary of Ashley Services. The inclusion of photographs supplied by persons or entities other than Ashley Services does not constitute an endorsement or recommendation by those persons or entities of the Shares offered pursuant to this Prospectus.

GOVERNING LAW

The Prospectus and the contracts that arise from the acceptance of the applications and bids under this Prospectus are governed by the law applicable in New South Wales and each applicant and bidder submits to the exclusive jurisdiction of the courts of New South Wales.

NO OFFERING WHERE OFFERING WOULD BE ILLEGAL

The offer of Shares under the Offer pursuant to this Prospectus does not constitute a public offer in any jurisdiction outside Australia and New Zealand. This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand. This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States of America.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States of America. The Shares have not been, and will not be, registered under the US Securities Act, and may not be offered or sold in the United States of America, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable state securities laws of the United States of America. The distribution of this Prospectus outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus outside of Australia and New Zealand should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. Further details regarding selling restrictions that apply to the Shares in certain jurisdictions outside of Australia are provided in section 8.13 of this Prospectus.

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Key Offer Information

KEY DATES

Lodgement of the Prospectus with ASIC	7 August 2014
Broker Firm Offer opens	11 August 2014
Broker Firm Offer closes and Applications due	5:00 pm AEST, 18 August 2014
Settlement of Offer and completion of Integracom acquisition	20 August 2014
Allotment of Shares	20 August 2014
Expected commencement of trading on ASX on a deferred settlement basis	21 August 2014
Expected despatch of Shareholder Statements	25 August 2014
Expected commencement of trading on ASX on a normal settlement basis	26 August 2014

These dates are indicative only and may vary. Ashley Services reserves the right to vary any of the dates without prior notice. Applicants are encouraged to apply as soon as possible after the Offer opens.

KEY OFFER STATISTICS

Issue Price	\$1.66 per Share
Number of Shares offered pursuant to this Prospectus	59.5 million
Total proceeds under the Offer	\$98.7 million
Number of Shares to be held by Existing Shareholders, Directors and Ashley Services' management and personnel at Completion of the Offer	90.7 million
Total number of Shares on issue at Completion of the Offer	150.0 million
Total number of Employee Performance Rights on issue at Completion of the Offer	Nil
Market capitalisation at the Issue Price ¹	\$249.0 million
Pro forma net debt at Completion of the Offer	\$4.2 million
Enterprise value at the Issue Price ²	\$253.2 million
EBITA FY2015F ³	\$29.7 million
Enterprise value/pro forma forecast FY2015F EBITA ^{3,4}	8.5x
NPATA FY2015F ³	\$20.5 million
Implied forecast dividend yield (based on pro forma FY2015F NPATA) ^{3,5}	5.4%
Implied forecast dividend yield (based on Statutory FY2015F NPATA) ^{3,6}	4.6%

Note 1: The market capitalisation is determined by multiplying the number of Shares on issue upon completion of the Offer, by the Issue Price. The market capitalisation of Ashley Services subsequent to the Offer will be based on the price at which Shares trade on the ASX from time to time. Shares may not trade at the Issue Price after Listing. If Shares trade below the Issue Price after Listing, the market capitalisation will be lower.

Note 2: Enterprise value is calculated as the market capitalisation at the Issue Price, less pro forma net debt of \$4.2 million.

Note 3: The Pro forma Forecast Financial Information has been prepared on the basis of various best estimate assumptions as set out in sections 3.11.1 and 3.11.2 and should be read in conjunction with the discussion of Historical and Forecast Financial Information set out in sections 3.10 and 3.11 respectively, the sensitivities set out in section 3.12 and the risk factors set out in section 5.

Note 4: Excludes amortisation relating to intangible assets expected to be recognised by Ashley Services in relation to the acquisition of Concept and Integracom. This amortisation relates to client relationship and course material intangible assets.

Note 5: The implied forecast dividend yield (based on pro forma FY2015F NPATA) is calculated as the implied dividend per share assuming a payout ratio of 65% of pro forma FY2015F NPATA divided by the Issue Price.

Note 6: The implied forecast dividend yield (based on Statutory FY2015F NPATA) is calculated as the annualised implied dividend assuming a payout ratio of 65% of Statutory FY2015F NPATA for the period from Listing to 30 June 2015 divided by the Issue Price.

The total expected dividend for FY2015 is \$11.1 million – refer section 3.13.

Dear Investor

On behalf of the board of Directors, I am pleased to invite you to become a shareholder in Ashley Services Group Limited (**Ashley Services** or **Company**).

Ashley Services is a diversified company operating in the training and labour hire industries within Australia. Its Training business is one of Australia's largest non-government Vocational Education and Training (**VET**) providers and its Labour Hire business is a leading provider to the warehouse and logistics industries.

Ashley Services was originally focused on the provision of labour hire. Its predecessor company was founded in 1968. In 1999, Ross Shrimpton, a founder of Ashley Services, purchased the business which has subsequently grown and diversified. In 2001, the Company acquired a small Registered Training Organisation (**RTO**). Since then it has substantially grown the Training business both organically and through acquisitions. Training now contributes the majority of Ashley Services' profits (Training is forecast to contribute approximately 70% and 74% of pro forma forecast EBITDA before corporate costs in FY2014F and FY2015F, respectively).

Ashley Services' integrated business model is a key factor in its success. The combination of its Training and Labour Hire businesses, which operate under a number of different brands, enhances the quality and competitiveness of its product offering to clients. In turn, it delivers revenue, synergies and margin contributions to the Company. Although each business operates and is accountable under separate management and profit centres, its service offerings are highly complementary and enable Ashley Services to operate on an integrated basis to generate returns superior to what would be achievable for each business on a standalone basis.

Ashley Services' national geographic presence and scale provide further advantages to its clients.

As a VET provider, the Training business services a wide range of clients in the Corporate and Public Markets. On a pro forma basis, this business is forecast to have over 19,000 course enrolments and to generate revenue of \$41.5 million in FY2014F. This is an increase of 68% on FY2013. The Training business offers training for 97 qualifications and 8 accredited courses, in 96 training locations across Australia and has 15 state government funding contracts. In addition, revenue is generated from Ashley Services' Labour Hire business and its clients, which are expected to account for 11% of forecast pro forma Training revenue in FY2014F.

Acquisition is an important component of the growth strategy for Ashley Services' Training business, assisting it to enter new markets and industries and expand its client base in a highly fragmented industry.

Ashley Services' Labour Hire business provides services to large national and multi-national clients. It is a leading labour hire provider to the warehouse and logistics industry, and also has a growing presence as a provider to the horticultural, manufacturing and trade industries. On a pro forma basis, this business is forecast to generate revenue of \$243.6 million in FY2014F, an increase of 61% on FY2013.

The Labour Hire business has grown organically and through acquisition. The acquisition strategy has been reinforced by a disciplined integration policy, which recognises the need to retain key people. Labour Hire acquisitions and new business opportunities are assessed on standalone criteria but are generally only undertaken when there is also a material opportunity for the Training business.

Ashley Services has entered into a conditional agreement to acquire the business of Integracom concurrently with the IPO. Integracom has a market leading position delivering vocational training to the telecommunications industry. The Directors believe telecommunications is a sector with long term growth for Ashley Services because of skills shortages and mandatory training requirements. The acquisition of Integracom provides Ashley Services with a market leading position in this sector, and enhances its national business footprint.

The acquisition adds a number of executives including Carl Holmes, the founder of Integracom, who has committed to a three year employment contract. Ashley Services and Integracom have worked together on joint business initiatives and integration plans since April 2014.



Chairman's Letter

Ashley Services has established a track record of sustainable growth under the leadership of Ross Shrimpton. Ross has assembled a strong management team and board of Directors who have commercial and policy experience. He remains committed to the long term growth of the Company and the Shrimpton Family will hold approximately 55% of Ashley Services' issued shares following the IPO.

In the view of Ashley Services' Directors, the earnings and cash flow of the Company together with a carefully planned and managed approach for organic growth and further acquisitions, provide attractive short and long term growth potential. The Company will have a positive cash position and undrawn debt facilities post the IPO to support this growth strategy. As a result of the above, a dividend yield payout ratio of 60% to 70% of statutory NPATA has been adopted. A dividend at the mid-point of this payout ratio would provide an implied annualised fully franked pro forma dividend yield for FY2015F of 5.4%.

An investment in Ashley Services also involves certain risks. Some of the key risks include the risk of changes in government funding and support for Ashley Services and/or the VET sector, risks associated with regulatory factors and the Demand Driven Model, increased competition in the labour hire industry and change in market structure, and changes in recruitment patterns. There are also general business risks which may impact on Ashley Services. These include risks associated with downturn in the training and labour hire industries, damage to the Ashley Services brands and managing growth and acquisitions. For more information on the risks associated with an investment in Ashley Services, please see section 5.

This Prospectus contains detailed information about the Offer and the financial and operating performance of Ashley Services and the risks associated with an investment in Ashley Services. You should read this document carefully and seek independent professional advice before making an investment decision.

Together with my fellow Directors, I encourage you to consider the Offer and look forward to welcoming you as a Shareholder.

Yours faithfully



Peter Turner
Chairman



Investment Overview

Investment Overview

1.1 Introduction

What is Ashley Services?

Ashley Services was founded in 1968 and is now one of the largest integrated providers of training and labour hire in Australia.

[Section 2.1](#)

The core businesses comprise:

Training

- 97 qualifications and 8 accredited courses offered nationally across 24 industries; and
- approximately 19,700 course enrolments are forecast on a pro forma basis in FY2014F.

Labour Hire

- provides labour hire to more than 265 active customers;
- approximately 3,800 workers are employed on a weekly basis; and
- professional labour hire and recruitment services are provided through Blackadder.

The integrated structure of Ashley Services' business enhances the quality and competitiveness of its services to its clients and also provides synergies from cross-referrals between business segments and intra-company services.

Why is the Offer being conducted?

The Offer is being conducted to:

[Section 6.2](#)

- raise capital to fund the acquisition of Integracom;
 - repay existing bank debt;
 - raise additional working capital and funding for potential future acquisitions;
 - retain and attract quality staff through the Employee Performance Rights scheme;
 - allow Existing Shareholders to realise a portion of their investment in the Company;
 - facilitate the listing of Ashley Services on the ASX and thereby enable access to capital markets; and
 - create a liquid market for Shares and an opportunity for employees and other persons to invest in Ashley Services.
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1.2 Key features of Ashley Services' business model

<p>What services does Ashley Services provide?</p>	<p>Ashley Services is comprised of Training and Labour Hire businesses. The services provided by these businesses are set out below:</p> <p>Training</p> <ul style="list-style-type: none"> provides a broad range of VET services to the Corporate and Public Markets. This is delivered nationally and covers over 24 industries. Courses offered range from short courses through to full qualifications such as Certificate Levels I to IV and Diplomas. <p>Labour Hire</p> <ul style="list-style-type: none"> provides labour hire services to corporate clients with a focus on warehouse, logistics, fast-moving consumer goods, food, pharmaceutical, manufacturing and trade industries. Labour Hire also provides professional labour hire and recruitment services through Blackadder. 	<p>Section 2.3 in relation to Training and section 2.5 in relation to Labour Hire</p>
<p>What is VET?</p>	<p>The VET system delivers education and training to enhance employment-related skills and qualifications across a wide range of occupations and industries.</p> <p>VET is typically undertaken after completing secondary school, in preparation for work and tends to be more competency based compared to the higher education sector, which is more focused on a knowledge-based framework.</p> <p>VET programs range from a single module or unit of competency to full qualifications such as diplomas. Training delivery methods range from formal classroom learning to workplace-based learning and can include flexible, self-paced learning and online training.</p>	<p>Section 2.2</p>
<p>How does Ashley Services generate revenue?</p>	<p>Training</p> <ul style="list-style-type: none"> The primary sources of revenue are Commonwealth and state government funding schemes and fee-for-service arrangements. Commonwealth Government funding is typically associated with the Corporate Market. In this market, the corporate client will receive funding from the Commonwealth Government, which subsidises the fees charged by Ashley Services. State government funding is typically associated with the Public Market and is paid directly to Ashley Services. Fee-for-service is generated from either employers or students directly as a result of services provided. <p>Labour Hire</p> <ul style="list-style-type: none"> Ashley Services charges per hour of labour hire provided. The hourly rates charged to the client include the full cost of the underlying labour plus a margin. 	<p>Sections 2.3.4 and 2.3.5 in relation to Training and section 2.5.3 in relation to Labour Hire</p>

Investment Overview

Who are Ashley Services' clients?

Training

- Training has established relationships with a wide range of clients across 24 industries.
- Clients in the Public Market are typically individuals who are unemployed or employed and looking to up-skill.
- Clients in the Corporate Market are typically companies with large workforces that require training for new employees or up-skilling of existing employees.
- Corporate clients also include Ashley Services' Labour Hire business and its clients.

Labour Hire

- Labour Hire has a client base of more than 265 active clients.
- The majority of Labour Hire's clients are in the warehouse, logistics, fast-moving consumer goods, food, pharmaceutical, manufacturing and trades industries.
- Labour Hire's top 20 customers are forecast to contribute 83% of pro forma forecast Labour Hire revenue in FY2014F.
- The top 20 clients in FY2014F have, on average, been clients of Labour Hire for 4.7 years.

[Section 2.3.6 in relation to Training and 2.5.4 in relation to Labour Hire](#)

Which geographic markets does Ashley Services operate in?

Ashley Services has a national footprint with 33 strategically located offices and 63 additional training locations.

[Section 2.1.6](#)

Figure 1: Pro forma forecast Training course enrolments by state FY2014F

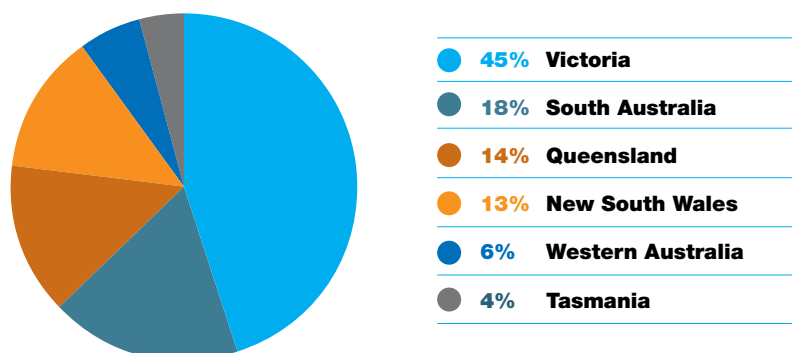
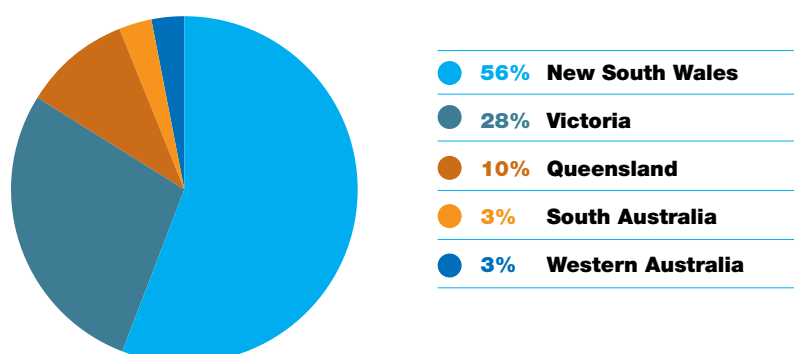


Figure 2: Pro forma forecast Labour Hire revenue by state FY2014F¹



¹ Excludes Blackadder revenue.

How does Ashley Services expect to fund its operations?

Ashley Services' key sources of funds will be cash flow generated from operations, proceeds of the IPO and borrowings under banking facilities. [Section 3.10.3](#)

Ashley Services is forecast to generate strong cash flow from operations with pro forma free operating cash flows before dividends (after tax) forecast to be \$19.4 million in FY2015F.

Ashley Services will have, on a pro forma basis, cash of \$18.6 million and borrowings of \$22.8 million (including amounts due to the vendors of Integracom and Concept). \$13.8 million of the borrowings are deferred vendor payments, payable over three years subject to meeting performance hurdles. Approximately \$6.7 million of the amount due to the Integracom Vendor is payable in Shares.

What is Ashley Services' dividend policy?

The Directors will retain absolute discretion as to whether or not to declare a dividend from time to time. In exercising this discretion, the Directors will have regard to profitability, sufficiency of franking credits, achievement of forecast results, cash flow and the best interests of the Company and Shareholders. [Section 3.13](#)

The Directors intend to pay a dividend of 60% to 70% of Statutory NPATA commencing in FY2015, reflecting the period from Listing to 30 June 2015. This dividend is expected to be fully franked.

The payout ratio is expected to vary between periods depending on factors including the general business environment and the operating results and financial condition of Ashley Services. Other factors the Directors may consider relevant are future funding requirements, capital management initiatives and taxation considerations (including the level of franking credits available).

What is the key financial information?

A selected summary of Ashley Services Pro forma Historical and Forecast Financial Information is set out below. Prospective Applicants should read section 3 for full details of Ashley Services' Pro forma and Statutory results (which will differ significantly) and the assumptions underlying this information. [Section 3](#)

\$ million	Pro forma historical				Pro forma forecast		Statutory forecast	
	FY 2011	FY 2012	FY 2013	H1FY 2014	FY 2014F	FY 2015F	FY 2014F	FY 2015F
Revenue by Business Channel								
Labour Hire	120.8	141.1	151.4	125.5	243.6	264.4	222.0	264.4
Training	16.2	21.3	24.6	19.8	41.5	55.1	26.6	52.1
Total Operating Revenue	137.0	162.4	176.0	145.4	285.1	319.5	248.6	316.5
EBITDA by Business Channel								
Labour Hire	7.5	5.9	5.0	2.3	7.3	8.7	6.2	8.7
Training	6.0	7.7	8.9	7.7	16.8	24.5	8.9	22.7
Corporate	(1.0)	(1.2)	(0.9)	(0.5)	(1.3)	(2.2)	(1.6)	(6.0)
Total EBITDA	12.5	12.5	13.0	9.5	22.8	31.0	13.5	25.4
EBITA	12.1	12.0	12.4	9.2	21.9	29.7	12.8	24.1
NPATA	8.3	8.3	8.4	6.3	15.0	20.5	8.7	16.4
EPS	n/a	n/a	n/a	n/a	n/a	0.13	0.06	0.11

Note 1: The Pro forma Historical and Forecast Income Statements have been reconciled to Statutory Financial Information in sections 3.3.1 and 3.3.2.

Note 2: The Pro forma Forecast Financial Information has been prepared on the basis of various best estimate assumptions as set out in sections 3.11.1 and 3.11.2 and should be read in conjunction with the discussion of Historical and Forecast Financial Information set out in sections 3.10 and 3.11 respectively, the sensitivities set out in section 3.12 and the risk factors set out in section 5.

Investment Overview

1.3 Key attributes

Integrated service offering	Ashley Services' integrated business model enhances the competitiveness of its service offering to clients. This model facilitates cross-referrals between the businesses and generates superior returns than otherwise would be achievable for each business on a standalone basis.	Section 2.1.3
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Attractive markets with significant growth opportunities	The training and labour hire markets in which Ashley Services operates have significant growth opportunities:	Section 2.6
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Training

- total VET sector revenue in 2012 was approximately \$8.8 billion. Since 2008, Commonwealth, state and territory funding has increased by approximately 43% or \$2.1 billion to around \$7.0 billion. The Demand Driven Model created the opportunity for private providers to increase market share relative to that of traditional government providers;
- new funding opportunities are expected to arise within the training market as the Demand Driven Model is expanded and fully deployed in Western Australia, Queensland and New South Wales;
- the Commonwealth Government's National Skills Needs List has identified key areas of skills shortage in need of vocational education and training. This typically influences the allocation of Commonwealth and state government funding; and
- the opportunity exists for Training to expand into the secondary school, higher education and international student markets.

Labour Hire

- the labour hire market is believed to generate revenue of approximately \$19 billion annually. The market is highly fragmented, creating acquisition opportunities; and
- labour hire is an entrenched feature of the Australian labour market and provides companies with a valuable source of staffing flexibility.

Strong market position in the VET sector	Ashley Services' Training business is one of Australia's largest non-government VET providers and has the following key attributes: <ul style="list-style-type: none">• capability to provide 97 qualifications and 8 accredited courses;• ability to deliver training in every state with 96 training locations;• ability to access multiple funding streams through a broad scope of 15 state government funding contracts;• in-house curriculum development team, allowing for rapid expansion of its scope of qualifications;• ability to provide tailored training solutions for clients;• ISO accredited approach to quality and compliance systems; and• capability to offer employment opportunities as an outcome of training through Labour Hire.	Section 2.3
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Differentiated Labour Hire business	Ashley Services' Labour Hire business primarily services the warehousing and logistics industries and is differentiated by its capacity to offer training services through the Ashley Services Training business.	Section 2.5
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The business has the following key attributes:

- more than 265 active clients;
- established, long tenure relationships with clients;
- national footprint allowing Labour Hire to supply to large multi-site clients;
- exposure to growth industries and sectors including warehouse and logistics, horticulture and trades;
- strategy of supplying labour to businesses with low WH&S risk and safe working environments;
- customised client offering through multi-brand strategy and industry experts;
- tailored training models, inclusive of onsite training; and
- extensive candidate database with ability to deliver high volumes of labour in a short period of time.

Strong earnings and cash flow generation	Ashley Services is a strong cash generating business converting 64.7% of pro forma forecast FY2014F EBITDA into operating cash flow before dividends. Ashley Services has low capital expenditure requirements with annual capital expenditure of 6.6% of EBITDA in forecast FY2014F.	Section 3
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Highly experienced management team and Board	The Ashley Services' management team, which comprises six senior managers, is highly experienced and is led by Managing Director, Ross Shrimpton. Ross is a founder of Ashley Services and has been instrumental to its growth since inception. The Ashley Services' management team collectively has 88 years of experience in the industries in which Ashley Services operates and, in most cases, a strong history with Ashley Services' businesses. The members of the Board have a broad range of relevant experience and are committed to driving the future success of Ashley Services.	Section 2.7
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1.4 Key risks

Training

Change in government funding and support arrangements for Ashley Services and/or the VET sector	A significant proportion of Ashley Services' Training revenue is derived from Commonwealth and state government funding. Ashley Services regularly tenders and applies for government funding contracts. There is a risk that Training will not be successful in being awarded future funding contracts or the renewal of existing contracts.	Section 5.2.1(1) and section 2.3.10
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As at the date of this Prospectus, Training had 15 state government funding contracts that covered all states. If Ashley Services were to lose one or more of these funding contracts, be unsuccessful in being awarded or having existing contracts renewed, or if any government decides to reduce funding to the VET sector generally, this could have a material adverse impact on Ashley Services' earnings and financial position.

Please refer to section 2.3.10 for details of Ashley Services' funding contracts.

Investment Overview

Regulatory factors	The Australian VET sector is highly regulated. Ashley Services' Training business currently holds RTO registrations, which allows it to operate as a VET provider. Non-compliance by any of Ashley Services' RTOs and any associated regulatory response may have an adverse impact on Ashley Services' reputation, operations, future earnings and financial position.	Section 5.2.1(2)
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Demand driven funding	All state governments have implemented or are in the process of implementing demand driven funding models. Ashley Services' financial performance could be adversely affected by any reversal of or delay in the implementation of these funding models.	Section 5.2.1(3)
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Labour Hire

Increased competition and change in market structure	Any increase in competition or deterioration in the competitive position of Ashley Services could have a material adverse impact on Ashley Services' earnings and financial position.	Section 5.2.2(1)
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Changes in recruitment patterns	Changes in outsourcing or recruiting patterns in the marketplace in which Ashley Services operates, particularly any trend to such functions being undertaken in-house as opposed to being outsourced, may adversely affect the labour hire industry and the performance of Ashley Services.	Section 5.2.2(4)
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General business risks

Downturn in the training and labour hire industries	Ashley Services' revenue and growth are susceptible to any downturn in the training and labour hire industries. Downward movements in the economic and labour market conditions could have a material adverse impact on Ashley Services' Training and Labour Hire earnings and financial position.	Section 5.2.3(1)
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Damage to the Ashley Services' brands	A significant factor in the success of Ashley Services is its reputation and branding. A failure to maintain the strength of the Ashley Services brands could impact on Ashley Services' ability to recruit students, maintain the registrations of its RTOs, receive government funding, maintain corporate relationships and successfully implement its business strategy.	Section 5.2.3(2)
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Managing growth	Over the past three years, Ashley Services has achieved strong growth in revenue and profitability and this is forecast to continue. Continued achievement of such growth is dependent on many factors as set out in this Prospectus. There is a risk that Ashley Services may not be able to successfully execute its growth strategies. No assurance is given that the Company will be successful in continuing to manage growth or that the recent growth record is indicative of future growth. The loss of a key client may have a material and adverse effect on the Company's ability to maintain its growth.	Section 5.2.3(3)
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Acquisitions	Ashley Services intends to focus on growing its business both organically and through strategic acquisitions. Ashley Services' ability to successfully grow by acquisition will depend on a range of factors. To the extent that acquisitions are not completed or successfully integrated, the financial performance of Ashley Services could be adversely impacted.	Section 5.2.3(4)
Other key risks	A number of other key risks are included in section 5.	Section 5

1.5 Key Offer statistics

What are the key Offer statistics?	Issue Price	\$1.66 per Share
	Number of Shares offered pursuant to this Prospectus	59.5 million
	Total proceeds under the Offer	\$98.7 million
	Number of Shares to be held by Existing Shareholders, Directors and Ashley Services' management and personnel at Completion of the Offer	90.7 million
	Total number of Shares on issue at Completion of the Offer	150.0 million
	Total number of Employee Performance Rights on issue at Completion of the Offer	Nil
	Market capitalisation at the Issue Price ¹	\$249.0 million
	Pro forma net debt at Completion of the Offer	\$4.2 million
	Enterprise value at the Issue Price ²	\$253.2 million
	EBITA FY2015 ³	\$29.7 million
	Enterprise value/pro forma forecast FY2015F EBITA ^{3,4}	8.5x
	NPATA FY2015F ³	\$20.5 million
	Implied Forecast dividend yield (based on Pro forma FY2015F NPATA) ^{3, 5}	5.4%
Implied Forecast dividend yield (based on Statutory FY2015F NPATA) ^{3, 6}	4.6%	

Note 1: The market capitalisation is determined by multiplying the number of Shares on issue upon completion of the Offer, by the Issue Price. The market capitalisation of Ashley Services subsequent to the Offer will be based on the price at which Shares trade on the ASX from time to time. Shares may not trade at the Issue Price after Listing. If Shares trade below the Issue Price after Listing, the market capitalisation will be lower.

Note 2: Enterprise value is calculated as the market capitalisation at the Issue Price, less pro forma net debt of \$4.2 million.

Note 3: The pro forma Forecast Financial Information has been prepared on the basis of various best estimate assumptions as set out in sections 3.11.1 and 3.11.2 and should be read in conjunction with the discussion of Historical and Forecast Financial Information set out in sections 3.10 and 3.11 respectively, the sensitivities set out in section 3.12 and the risk factors set out in section 5.

Note 4: Excludes amortisation relating to intangible assets expected to be recognised by Ashley Services in relation to the acquisition of Concept and Integracom. This amortisation relates to client relationship and course material intangible assets.

Note 5: The implied forecast dividend yield (based on pro forma FY2015F NPATA) is calculated as the implied dividend per share assuming a payout ratio of 65% of pro forma FY2015 NPATA divided by the Issue Price.

Note 6: The implied forecast dividend yield (based on Statutory FY2015F NPATA) is calculated as the annualised implied dividend assuming a payout ratio of 65% of Statutory FY2015 NPATA for the period from Listing to 30 June 2015 divided by the Issue Price.

The total expected dividend for FY2015 is \$11.1 million – refer section 3.13.

Investment Overview

1.6 Directors and key executives

Who are the Directors and key executives of Ashley Services?

Directors

- Peter Turner – Non-executive Chairman
- Ross Shrimpton – Managing Director
- Simon Crean – Non-executive Director
- Vincent Fayad – Executive Director and interim Chief Financial Officer

Key executives

- Brett O'Connor – General Manager, Training
- Carl Holmes – Director, ASG Integracom Company
- Paul Rixon – General Manager, Labour Hire
- Marc Shrimpton – General Manager, Recruitment
- Greg Jenkins – General Manager, Finance
- John Knights – General Manager, Strategy and Business Development
- Ron Hollands – Company Secretary

Section 2.7

1.7 Significant interests of key people and related party transactions

Who are the Existing Shareholders and what will their interest be in Ashley Services at Completion of the Offer?

The following table summarises the pre and post-Offer interests in Ashley Services of Existing Shareholders:

Existing Shareholders	Shareholding prior to the Offer (%)	Shareholding following Completion of the Offer (m)	Shareholding following Completion of the Offer (%)
Shrimpton Family	95.7%	82.5	55.0%
Holmes	–	6.0	4.0%
Marc Shrimpton	4.3%	1.5	1.0%
Management Shareholders and other current Existing Shareholders	–	0.7	0.5%
Total	100.0%	90.7	60.5%

Will any Shares be subject to restrictions on disposal following Completion of the Offer?

Existing Shareholders, representing 100% of the Shares on issue at the date of this Prospectus, and Carl Holmes have entered into voluntary escrow deeds with Ashley Services under which they will be restricted from dealing in Shares held by them as described below and the terms of which are described more fully in section 7.5.

Section 8.7

Shareholder	Shares (m)	Escrow period
Shrimpton Family	82.5	2 years from Listing
Holmes	6.0	2 years from Listing
Marc Shrimpton	1.5	2 years from Listing
Total	90.0	2 years from Listing

Other related party interests	Shrimpton Holdings Pty Limited ACN 003 692 073 as trustee for Shrimpton Holdings Pty Limited Superannuation Fund ABN 15 872 979 542 (the self-managed superannuation fund of which Ross Shrimpton is a member) will receive rental payments totalling \$197,200 per annum plus GST (set as per market rental assessment by an independent valuer) pursuant to a five year lease agreement with an option to renew for a further five years in relation to a lease agreement over Units 1 and 2/11 Holdeche Road, Armdell Park New South Wales. Rent increases by 4% per annum and is subject to market review at the time of the option exercise.	Section 8.6
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1.8 Proposed use of funds and key terms and conditions of the Offer

Who is the issuer of this Prospectus?	Ashley Services Group Limited ACN 094 747 510, a company incorporated in Australia.	
What is the Offer?	The Offer is an initial public offering of 59.5 million Shares that will in part be new Shares issued by the Company and will in part be sold by Existing Shareholders at an Issue Price of \$1.66 per Share.	Section 6.1
What is the proposed use of funds raised pursuant to the Offer?	<p>The funds received under the Offer will be used as follows:</p> <ul style="list-style-type: none"> • \$31.8 million will be paid as partial consideration for the purchase of Integracom; • \$41.6 million will be paid to the Existing Shareholders by way of a dividend and sale of Shares; and • \$25.3 million will repay existing bank debt, provide funds for working capital, potential future acquisitions and pay the costs of the Offer. 	Section 6.4
Will the Shares be quoted?	Ashley Services will make an application to the ASX within seven days after the date of this Prospectus for admission to the Official List and quotation of the Shares (which is expected to be under the code "ASH"). It is anticipated that quotation will initially be on a deferred settlement basis.	Section 6.15
How is the Offer structured?	<p>The Offer comprises:</p> <ul style="list-style-type: none"> • the Broker Firm Offer, which consists of an offer of Shares to eligible sophisticated and retail investors in Australia and New Zealand who have received a firm allocation from their Syndicate Broker; and • the Institutional Offer which consists of an offer to Institutional Investors in Australia and a number of other eligible jurisdictions to bid for Shares. 	Sections 6.10 and 6.11
Is the Offer underwritten?	The Broker Firm Offer and the Institutional Offer have been fully underwritten by Canaccord Genuity and Evans and Partners. A summary of the Underwriting Agreement, including the events which would entitle the Underwriters to terminate the Underwriting Agreement, is set out in section 7.1.	Section 6.14
What is the allocation policy?	Ashley Services and the Joint Lead Managers together reserve the right, in their absolute discretion, to allot the Shares applied for under any Application in full or to allot any lesser number or to decline any Application. Ashley Services and the Joint Lead Managers may in their absolute discretion give preference to certain investors in accepting Applications under the Offer.	Section 6.9

Investment Overview

Is there any brokerage, commission or stamp duty payable by Applicants?	No brokerage, commission or stamp duty is payable by Applicants on Shares allotted under the Offer.	Section 6.16
What is the minimum Application under the Offer?	Applicants must apply for a minimum of 1,500 Shares, representing a minimum investment of \$2,490. Applicants applying for additional Shares must apply for Shares in multiples of 500 Shares (representing a further investment of \$830).	Section 6.9
What are the tax implications of making an investment in the Company?	<p>The taxation implications of investing in Ashley Services will depend on an investor's individual circumstances. Applicants should obtain their own tax advice prior to making an investment in Ashley Services.</p> <p>Further information on the taxation considerations for some Applicants is set out in section 8.11.</p>	Section 8.11
Who can participate in the Offer?	The Offer is open to Australian and New Zealand residents.	Sections 6.10 and 6.11
How do I apply for Shares?	<p>Broker Firm Applicants may apply for Shares by completing a valid Application Form attached to or accompanying this Prospectus, and lodging it with the Syndicate Broker who invited them to participate in the Offer.</p> <p>The Opening Date for the Offer is 11 August 2014 and the Closing Date for the Offer is 5.00pm (AEST) on 18 August 2014, or such later date as the Directors, in their absolute discretion, may determine.</p> <p>To the extent permitted by law, an Application by an Applicant under the Offer is irrevocable.</p>	Section 6.9
When will I receive confirmation that my Application has been successful?	It is expected that initial Shareholder Statements will be despatched by standard post on or around 25 August 2014.	Section 6.9
Can the Offer be withdrawn?	Subject to the terms of the Underwriting Agreement, Ashley Services reserves the right not to proceed with the Offer at any time before the issue of Shares to successful Applicants. If the Offer does not proceed, Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.	Section 6.19
How can further information be obtained?	<p>If you are unclear in relation to any matter or are uncertain as to whether Ashley Services is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.</p> <p>If you wish to obtain additional copies of this Prospectus, please contact the Share Registry on 1300 361 735 (within Australia) or +61 1300 361 735 (outside Australia).</p>	Section 6.22

2



Industry and Business Overview



Industry and Business Overview

2.1 Ashley Services' Overview

2.1.1 Introduction

Ashley Services is one of the largest integrated providers of training and labour hire in Australia. Ashley Services' business model is designed to ensure the Training and Labour Hire businesses operate successfully as independent standalone businesses, while also generating material synergies through cross selling their respective services and by providing value-adding intra-company services. The businesses have strong organic growth prospects and also have the capacity to generate material synergies from potential future acquisitions.

Ashley Services uses its integrated business model to create an end-to-end solution for individuals and companies. These services are directly aligned to the needs of an industry and focus on solutions that enable individuals to enter or progress in the workforce. Since inception as a labour hire business in 1968, Ashley Services has successfully diversified and expanded its business and achieved growth by:

- increasing its focus on training and government funding within the VET sector;
- undertaking selective acquisitions of businesses which provided opportunities to enter new markets or expand existing markets; and
- building longstanding client relationships, by offering integrated customer service processes and competitive pricing models.

Ashley Services is ISO accredited in safety (AS/NZS4801), quality (ISO9001) and environment (ISO14001).

Below is a summary of the key operating statistics for FY2014F:

Offices¹	33
Additional Training locations¹	63
Staff¹	355
Trainers¹	149
Qualifications¹	97
Enrolments²	~19,700
Weekly Labour Hire workers²	~3,800
Annual Labour Hire hours²	~6.0 million
Labour Hire clients²	265

¹ As at the date of this Prospectus.

² Forecast FY2014.

2.1.2 Company history and business transformation

Ashley Services has a long-established history and traces its origins to the Allmen Industries labour hire business which was founded in 1968. Ross Shrimpton is a founder of Ashley Services and purchased the business in 1999 and the business has subsequently grown and diversified.

In 2005, Ashley Services identified a significant opportunity in the VET market. To capitalise on this opportunity, Ashley Services purchased AIT in 2005. AIT provided Ashley Services with the platform to establish itself as a major training provider for both the Corporate Market and the Public Market and has since evolved into a substantial national operation offering 97 qualifications and 8 accredited courses across 24 industries.

Ashley Services entered into the professional labour hire and recruitment market via the acquisition of Blackadder in 2007. Blackadder provides professional labour hire and recruitment services for external clients in addition to the Labour Hire and Training businesses. Whilst Blackadder has been separately owned and managed to date, it has been supported by the Ashley Services corporate structure and is closely aligned with the objectives of Ashley Services. Blackadder is a component of Labour Hire.

Ashley Services continues to focus on diversifying and growing its business, both organically and via acquisition. As part of this process, upon Completion of the Offer, Ashley Services will acquire Integracom. Integracom is a Western Australian based business which operates nationally, specialising in training for the telecommunications and electronic security sectors. The acquisition of Integracom will significantly increase Ashley Services' market share across Australia in the growing skilled trade market sector.

Integracom was founded in 2006 by Carl Holmes after identifying the opportunity to develop and provide quality training to the fast growing telecommunications sector in Western Australia on a more flexible schedule than that available from traditional providers. The quality of Integracom's courses, facilities and trainers led the business to expand rapidly in Western Australia as well as to expand to the eastern states of Australia. The business now has operations and training facilities in all six states. Based on the number of enrolments expected in FY2014F, Integracom is one of the largest private providers of accredited telecommunications training in Australia.

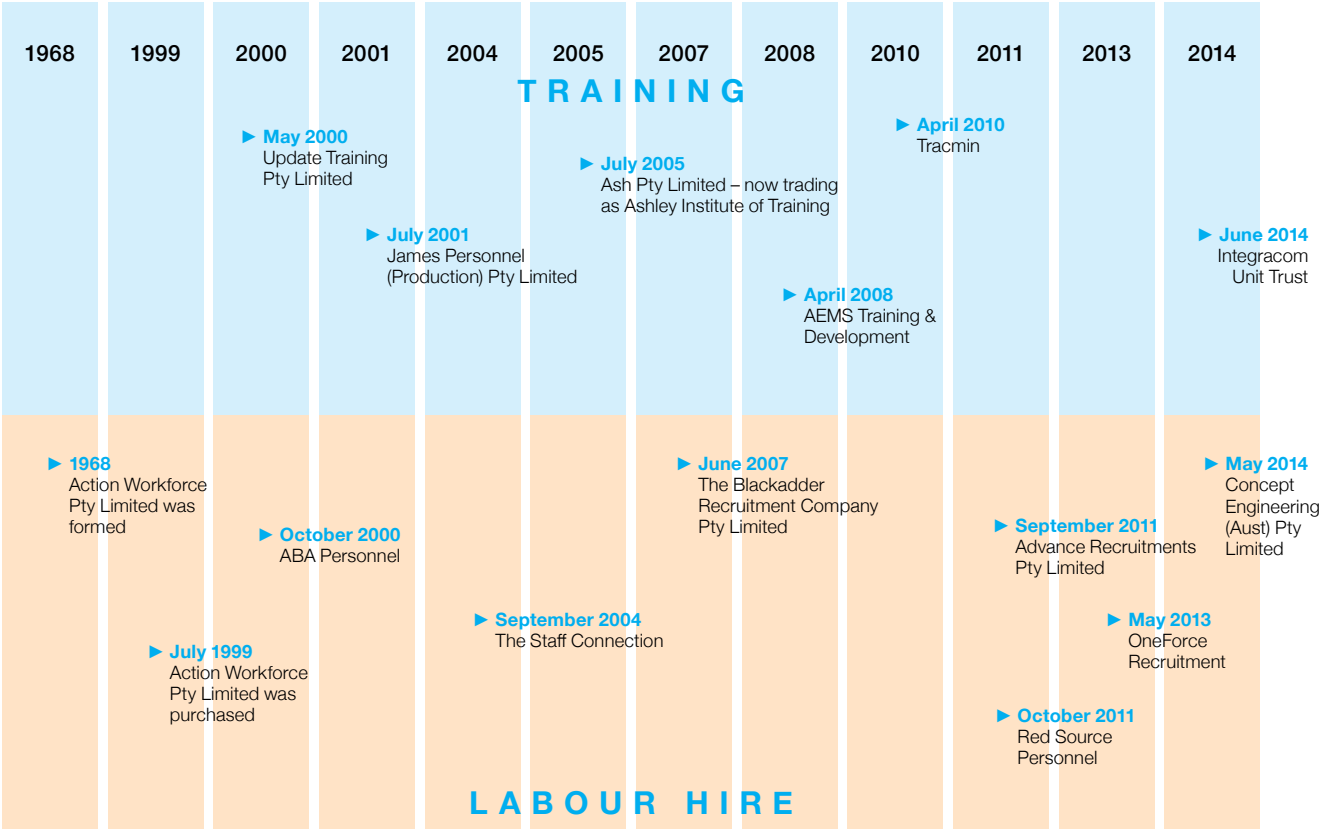
The Integracom business, post Completion of the Offer, will be merged with Ashley Services' existing telecommunications training business. Ashley Services and Integracom have been working together since April 2014, to optimise post-acquisition integration of the businesses.

On 1 July 2014, a restructure of Ashley Services' businesses was carried out to bring related entities under the Ashley

Services corporate structure. The owners of the related entities were members of the Shrimpton Family and Marc Shrimpton. Following completion of the restructure, the Shrimpton Family and Marc Shrimpton owned 100% of the holding company, Ashley Services.

Ashley Services has made a number of acquisitions in both the training and labour hire industries. The underlying acquisition strategy has generally been to leverage the acquisition return profile through synergies with existing Ashley Services' businesses.

Figure 3: History of acquisitions

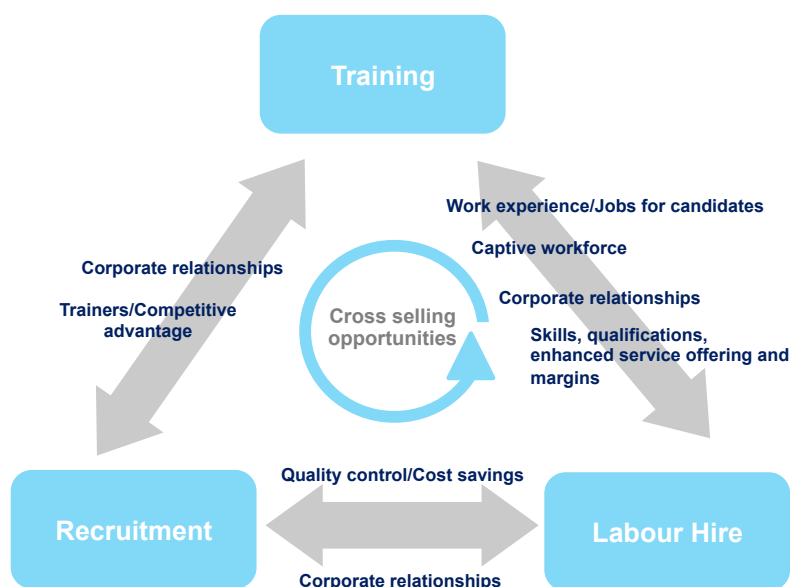


Industry and Business Overview

2.1.3 Integrated business model

Ashley Services' integrated business model ensures the Training and Labour Hire businesses operate as independent standalone businesses, while also generating material synergies through cross selling their respective services and providing value-adding intra-company services. The integrated business structure provides a holistic approach to clients' business service requirements and develops cost-effective business improvement strategies. The structure not only enhances the quality and competitiveness of its services to its clients but also provides synergistic benefits from cross-referrals between business segments. For example, in Pro Forma forecast FY2014F, approximately 11% of Training revenue will be derived from Labour Hire and its clients. Recruitment has provided 82 trainers and 94 staff members to Ashley Services in FY2014.

Figure 4: Ashley Services integrated business model



The integrated business model allows Ashley Services to generate superior returns than would otherwise be achievable on a standalone basis. It also allows Ashley Services to acquire businesses and generate returns from those acquisitions that would not be immediately realisable for competing acquirers that rely on more typical single-purpose business structures.

Case Study: Polar Fresh



Polar Fresh Cold Chain Services was formed in July 2004 as a joint venture and is a third party logistics service provider to one of the major supermarket chains.

With more than 1,500 team members employed across the business, Polar Fresh receives, picks and loads over four million cases a week across the Eastern Seaboard.

In February 2013, Ashley Services' Labour Hire was awarded the sole supply of Polar Fresh's contingent workforce requirements across its three distribution centres on the basis of its proven track record supplying to their key customer.

The supply relationship has developed to the extent that Training has become Polar Fresh's primary training provider, with over 330 Polar Fresh employees currently enrolled in the training program.

The integrated model provided by Ashley Services is a comprehensive program that aligns to Polar Fresh's business strategies and results in nationally accredited certification. This program is coupled with a tailored Six Sigma Program for management specifically aimed at meeting the relevant needs of both Polar Fresh and their customer.

Ashley Services will continue to work closely with Polar Fresh as they expand their service delivery model.

Case Study: OneForce



OneForce is a specialist labour hire provider to the horticulture industry, supplying to one of Australia's largest fresh produce growers. Ashley Services acquired OneForce in May 2013. Soon after acquisition, OneForce increased from providing the contingent workforce to now supplying ongoing pickers, pre-pack staff, warehouse operators and support staff, currently averaging approximately 600 personnel each week.

Concurrent with the acquisition, Training increased its qualifications to include Certificate Levels II and III in Production Horticulture. Ashley Services' integrated approach has enabled the establishment of pre-employment training strategies that facilitate the provision of quality staff across a variety of disciplines in all areas of horticulture operations. Training has developed training strategies to up-skill and retain workers whilst improving productivity.

Training is viewed as an extension of OneForce's daily business operations with an onsite training and recruitment assessment centre staffed by industry experts.

Industry and Business Overview

2.1.4 Business channels

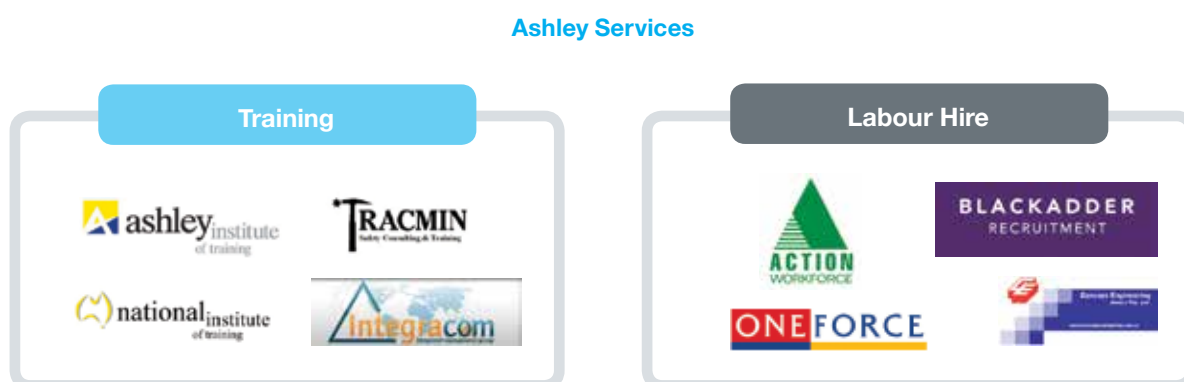
Ashley Services' Training and Labour Hire businesses operate under a multiple-brand delivery structure, with each brand representing a specific market sector.

The multiple-brand strategy is used to address specific needs of the different sectors in which Ashley Services operates. In Labour Hire, differing brands are used to delineate the different services offered across industry sectors.

Training brands reflect geographic and industry requirements. In conjunction with the Offer, Ashley Services has entered into an agreement to acquire Integracom. Future training in the telecommunications sector will be provided under the ASG Integracom brand in order to leverage the strength of Integracom's relationships and brand in this sector and the quality of its training programs.

The illustration below provides an overview of Ashley Services' business channels:

Figure 5: Ashley Services' business channels



2.1.5 Employees

As at June 2014, Ashley Services had 355 employees. The increase in staff numbers over the last three years reflects the growth in Ashley Services' operations over this period.

Figure 6: Ashley Services' personnel

Ashley Services' Employees ¹			
	Jun-12 Actual	Jun-13 Actual	Jun-14 Actual ¹
Management	6	5	6
Administration	12	11	20
Labour Hire operations	62	77	89
Trainers	56	75	95
Training operations	48	64	129
Recruitment operations	8	14	16
Total employees	192	246	355
Number of contract trainers	64	57	54

¹ Includes Integracom.

In addition to full time staff, Ashley Services currently employs approximately 3,800 workers per week through its Labour Hire business.

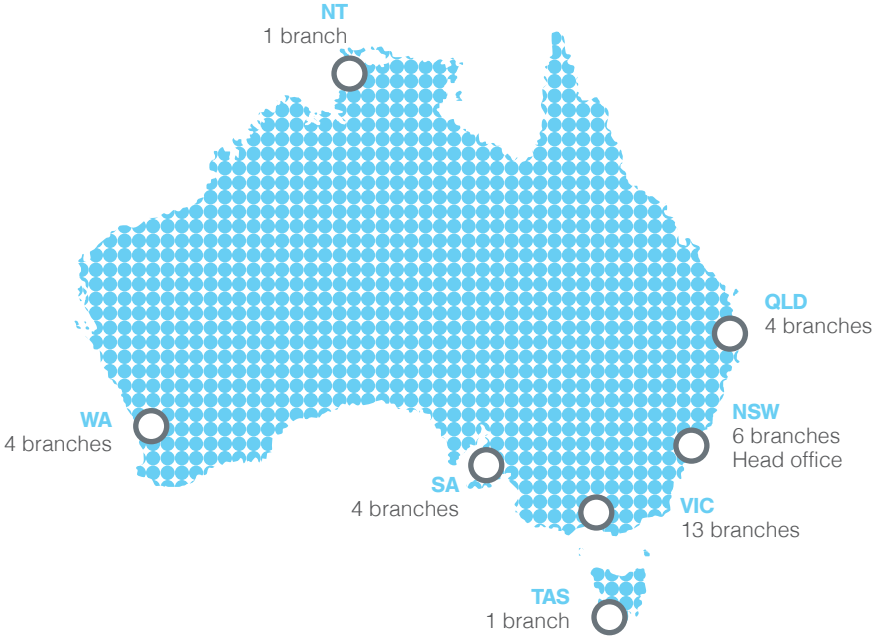
2.1.6 Geographical presence

Ashley Services has a national footprint with 33 offices located around Australia. This national presence enables Ashley Services to address the needs of its corporate clients in both Labour Hire and Training as well as the Public Market in Training. Training

has an additional 63 training locations throughout Australia. Locations range from the Pilbara, which services remote mining operations, to central business district locations to service corporate clients. Furthermore, Training has offices strategically located near key public transport hubs to service the Public Market.

Below is an overview of the current locations of Ashley Services' offices:

Figure 7: Ashley Services' office locations

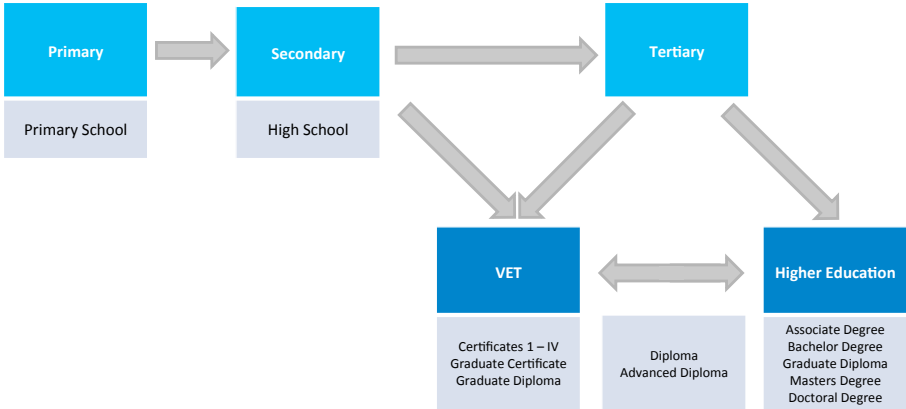


2.2 VET Industry Overview

2.2.1 Introduction

Education in Australia follows the three tier model which includes primary education (primary schools), followed by secondary education (secondary schools / high schools) and tertiary education (universities, TAFE colleges and VET providers).

Figure 8: Australian education system overview



VET is the training and assessment of accredited courses under the Australian Quality Framework (AQF). The VET system provides education and training to enhance employment-related skills by delivering qualifications across a wide range of industry occupations. AQF establishes the quality of Australian qualifications. It is the national policy for regulated qualifications in the Australian education and training system.

The Australian Bureau of Statistics has noted that the volume of individuals with VET training of Certificate Level III and above is a key indicator and driver of the success of the economy.

Industry and Business Overview

VET is delivered by Registered Training Organisations (**RTOs**). RTOs are training providers registered by the relevant state or national VET regulator to deliver nationally recognised training. Training can be delivered in a number of ways including:

- workplace-based training;
- classroom training;
- online training; or
- blended model of all of the above.

There are around 5,000 RTOs in Australia offering VET courses. Many provide accredited and non-accredited training to the Public and Corporate Markets.

VET training can be delivered as part of a traineeship or apprenticeship, which combines employment and competency-based training or as a standalone course. VET works with industry to prepare future workers and support existing workers with the current relevant skills and knowledge required to keep up to date with changing workplace demands.

There are a number of barriers to entry to the VET industry. These include:

- the regulatory compliance burden;
- access to government funding contracts; and
- capacity to develop and deliver high quality training materials and courses.

As these barriers increase, the scale of operation will become increasingly important. Such barriers are expected to increase, making a sustainable scale of operation critical. This factor can be expected to cause more consolidation in the industry.

Figure 9: VET vs higher education

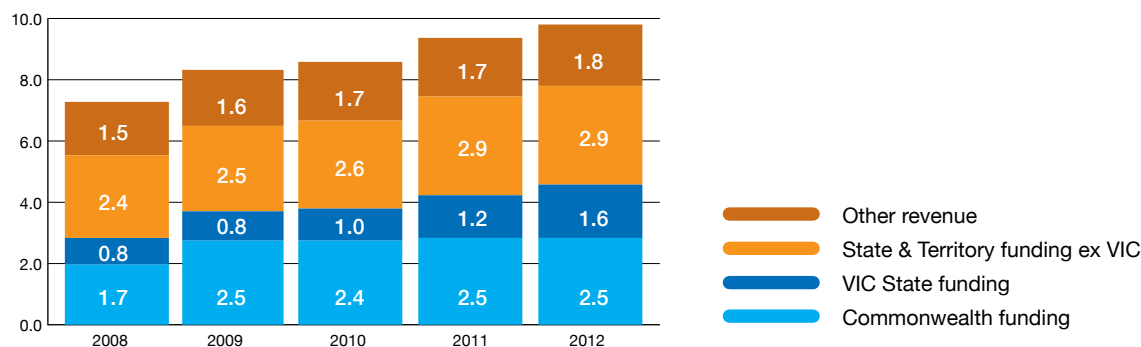
	VET	Higher Education
Key sources of demand	<ul style="list-style-type: none"> • Employees wanting to up-skill • Employees maintaining compulsory certification standards • Unemployed job seekers • New workforce entrants 	<ul style="list-style-type: none"> • Students • Post-graduate students • Professionals
Key features	<ul style="list-style-type: none"> • More hands-on and practical approach • Required for a number of professions • Shorter duration (< 3 years) 	<ul style="list-style-type: none"> • More theoretical approach • Required for a number of professional occupations • Longer duration (> 3 years)
Qualifications	<ul style="list-style-type: none"> • Certificates I – IV • Diploma • Advanced Diploma 	<ul style="list-style-type: none"> • Bachelor • Honours • Graduate Diploma/Graduate Certificate • Masters/Doctoral
Funding sources	<ul style="list-style-type: none"> • State and Commonwealth government funding • Fee-for-service • VET FEE-HELP • Private funding 	<ul style="list-style-type: none"> • Higher Education Contribution Scheme • Private funding
Providers	<ul style="list-style-type: none"> • RTOs • TAFE Colleges 	<ul style="list-style-type: none"> • Universities • TAFE Colleges • Private VET providers

2.2.2 Size and scope

The VET sector experienced continuous growth in revenue from 2008 to 2012. Complete financial data for the sector for 2013 is anticipated to be provided by NCVET in September 2014.

Total VET sector revenue in 2012 was approximately \$8.8 billion. Since 2008, Commonwealth, state and territory government funding has increased by approximately 43% or \$2.1 billion, to around \$7.0 billion. The Demand Driven Model created the opportunity for private providers to increase market share relative to that of traditional government providers.

Figure 10: VET sector revenue (\$ billion)



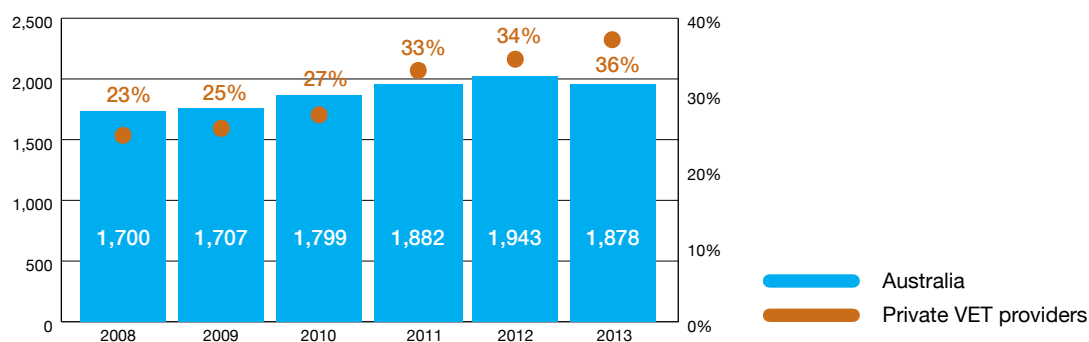
Source: NCVET, 2012

In 2012, 32.2% of Australians aged 15–64 years held a certificate or diploma as their highest level of qualification. They may have been completed in schools, VET institutions or higher education institutions.

About 1.9 million people were reported as participating in VET programs at about 22,500 locations across Australia in 2013. The number of VET enrolments increased by 10.5% between 2008 and 2013. Enrolments fell slightly, by 3.4%, from 2012 to 2013 driven mainly by a reduction in Queensland and New South Wales, partially offset by an increase in South Australia.

Private sector RTOs have captured significant market share and now represent over one third of enrolments. From 2008 to 2013, private sector RTOs' market share, as measured by enrolments, increased from 23% to 36%. Over the same period, private sector RTO enrolments increased by approximately 270,000 while public sector RTO enrolments declined by approximately 100,000.

Figure 11: Australian VET enrolments ('000s)



Source: NCVET, 2013

Of the approximately 1.9 million students reported as participating in VET programs in 2013, 1.5 million (79.2%) were government funded. The remaining 361,000 domestic students (19.2% of all VET students) and international students (1.6%) paid a fee-for-service. The proportion of domestic fee-for-service students decreased from 23.8% of all VET students in 2008 to 19.2% in 2013.

Industry and Business Overview

2.2.3 Key VET drivers

The VET industry will need to continue to meet the growing Australian skills shortage. There are several key drivers.

Government policy and reform and the Demand Driven Model

Recent government reform in the VET sector is encouraging a more competitive VET market, along with greater flexibility and accessibility for students.

The reforms have been based on improving the overall quality of the workforce and encouraging higher workforce participation through more VET being provided and greater flexibility in courses offered.

All Australian governments signed the Council of Australian Governments (COAG) agreement on skills reform in 2009, requiring a transition to demand driven funding. There is bipartisan political commitment to VET and the COAG framework.

On 13 April 2012, COAG agreed to the National Partnership Agreement on Skills Reform (**National Partnership Agreement**), with the following key reforms:

- introducing a national training entitlement for a government-subsidised training place to at least the first Certificate III qualification for working age Australians without qualifications;
- income-contingent loans for government-subsidised Diploma and Advanced Diploma students for students undertaking higher level qualifications, thereby reducing upfront costs of study;
- developing and piloting independent validation of training provider assessments and implementing strategies which enable TAFEs to operate effectively in an environment of greater competition;
- a new My Skills website to improve access for students and employers to information about training options, training providers and provider quality; and
- supporting around 375,000 additional students over five years to complete their qualifications, and improving training enrolments and completions in high-level skills and among key groups of disadvantaged students, including Indigenous Australians.

Further detail on the implementation and impact of the Demand Driven Model is set out in section 2.2.4.

In addition, under the National Partnership Agreement, the Australian Government will provide special purpose payments of \$1.4 billion each year to the states and territories as a contribution towards operating their training systems.

The Commonwealth Government is investing an additional \$1.75 billion over five years from 2012 for reforms to make the VET system more responsive, accessible, transparent and higher quality.

Funding arrangements are modified by both Commonwealth and state governments from time to time. Recent examples of Commonwealth Government changes include the removal in August 2013 of the \$3,000 employer incentive payments in relation to existing workers undertaking a traineeship or apprenticeship for qualifications that were not listed on the NSNL. In addition, the Commonwealth Government replaced the Tools for your Trade incentive of \$5,500 with the Trade Support Loans of up to \$20,000 in July 2014. State governments regularly review and realign course funding.

Other Commonwealth Government policy, such as the recently announced Restart Subsidy which provides employers a subsidy of up to \$10,000 for hiring eligible mature aged job seekers and Work for the Dole programs, indirectly impact on the demand for VET through stimulating demand for re-skilling and up-skilling to prepare candidates to re-enter the workforce.

Government funding

A significant driver of the VET sector is the government funding available to both train students and to provide incentives to employers to train existing and potential employees.

The Commonwealth, state and territory governments provide most of the funding for the VET industry. State and territory governments provided \$4.5 billion or 64% of government funding in 2012. The Commonwealth provided a further \$2.5 billion.

Overall, the Australian VET market is primarily funded through the following sources:

- Commonwealth Government;
- state and territory governments;
- Employers and individuals via fee-for-service; and
- VET FEE-HELP.

Commonwealth Government

Commonwealth Government funding is typically targeted to traineeships and apprenticeships. The objective is to contribute to developing a highly skilled and relevant Australian workforce that supports economic sustainability and competitiveness. This funding is typically paid by the Government to the employer to subsidise the cost of courses completed by the employees.

The Australian Apprenticeships Incentives Program (**AAIP**) contains incentives and personal benefits, including payments to employers and personal benefits to the individual being trained.

The Commonwealth Government has identified trades in which there is a national skills shortage and has introduced a NSNL. Training provided to an employed individual under the AAIP attracts additional incentives and benefits for both the employer and the individual.

The NSNL is used to determine eligibility for incentives and personal benefits available under the Program.

The Commonwealth also provides VET FEE-HELP, which enables students unable to pay their VET tuition fees on enrolment to defer payment until their future income reaches a specified level. This enables immediate training and helps improve affordability of VET programs.

State and territory governments

State and territory governments manage VET delivery within their jurisdictions. They traditionally provide about two thirds of the funding in the VET sector. They fund VET providers, students and employers through their training authorities, to support the delivery of training, improve student services and provide incentives for employers and apprentices.

Unlike Commonwealth Government funding initiatives, state and territory government funding is typically paid directly to the VET provider. Payments from their agencies generally fall into three categories:

- payments to TAFE institutions for training and delivery;
- payments to RTOs for training and delivery for apprentices and trainees who, with their employer, choose to use that RTO; and
- payments to RTOs under a tendered contract to deliver training.

Skills shortages

Australia is experiencing a labour shortage because of an ageing population and a declining birth rate. At the same time, demand for higher levels of skills is increasing, often in new industries. Over the next 40 years, the proportion of the population aged over 65 is forecast to almost double to around 25%. At the same time, growth in the traditional workforce age (15-64) is forecast to slow to almost 0%. Re-educating and up-skilling mature aged workers to improve productivity and workforce participation will be a priority to increase the supply of skilled labour.

Due to its ageing population, Australia faces a potential shortfall of 195,000 workers in five years' time.

The Department of Education, Employment and Workplace Relations' labour market research and analysis identified that traditional trades (for example, telecommunications technicians, electricians, hairdressers, automotive trade persons, chefs, carpenters and bricklayers) as well as professions (including accountants, engineers, childcare workers and health professionals), have been experiencing a national skills shortage.

Technological advancements

Advances in technology will drive growth in the VET market in ways that include:

- continuous technological advancements within industries will require ongoing education and training of the current workforce; and
- increased demand for courses delivered online as people seek qualifications that are easily accessed, affordable and internationally recognised.

Mandatory skills legislation

Industries are increasingly introducing mandatory skill levels and qualifications at entry level. Those already employed in these industries are also required to complete the mandatory qualifications. Some industries that have implemented mandatory qualifications include telecommunications, financial planning and security services.

As mandated skill levels are implemented in these industries and other industries consider introducing them, demand for VET may increase, both from existing members of and new entrants to the workforce.

Skilled migration incentives

Some countries, including Australia, are addressing labour and skills shortages through skilled migration. Consequently, international students are attracted to study in these countries as a pathway to permanent residency. Under its General Skilled Migration Program, the Commonwealth Government is targeting migrants with 'skills in demand' for permanent residency.

Unemployment rate

Periods of greater unemployment and slower economic activity tend to be associated with increased VET enrolments. Individuals train to increase their skills and therefore the likelihood of regaining employment. Government policy plays a pivotal part in this driver as it sets the standard of what assistance will be made available to support jobseekers to gain meaningful employment.

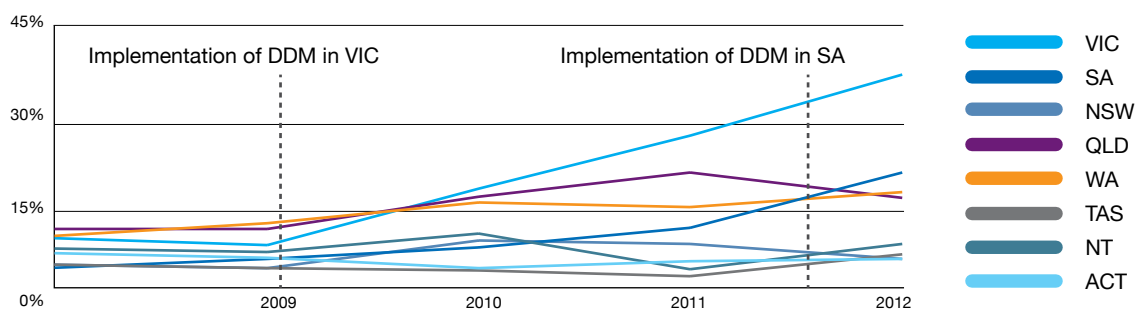
2.2.4 The Demand Driven Model and its effects

A Demand Driven Model for VET is in various stages of implementation throughout Australia. This model enables RTOs to receive funding based on student completion of units of competency towards a qualification. These are listed on each associated state or territory-funded qualification list. Therefore, RTO funding can be considered driven by student demand.

The VET sector is now considered contestable because all RTOs can compete for available funding, based on the total number of eligible students who choose their training courses. This has resulted in private VET providers capturing an increase in market share of enrolments from 23% in 2008 to 36% in 2013.

Industry and Business Overview

Figure 12: Government payments to private RTOs as percentage of funding



Source: NCVET, 2012

The Demand Driven Model was first implemented in Victoria (2009) and South Australia (2012). This has resulted in significant growth in enrolments, with the number of students engaged in government subsidised training in Victoria increasing by about 193,300 or 64% between 2008 and 2012.

Figure 13: Impact of Demand Driven Model in Victoria and South Australia

	Total enrolments increase	Private RTO market share	
		Pre-Demand Driven Model	Post-Demand Driven Model
VIC (2009 introduction)	31%	10%	39%
SA (2012 introduction)	16%	7%	23%

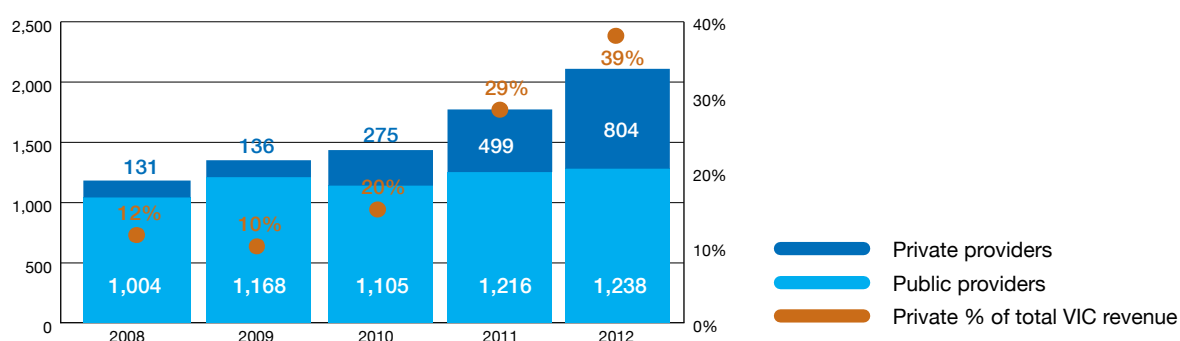
Source: NCVET, 2012

Victoria

As a result of greater contestability in the Victorian VET market, private RTOs were responsible for more than 90% of the increase in enrolment numbers in Victoria between 2009 and 2012.

The Victorian Government regularly reviews incentive programs to ensure that training providers are focused on supporting and addressing the needs of industries with known skills shortages.

Figure 14: State and Commonwealth VET funding in Victoria (\$ million)



Note: includes State, Commonwealth and other revenue

Source: NCVET, 2012

South Australia

In 2012, the South Australian Government introduced the Skills for All program which supports the South Australian Government's productivity and participation objectives.

Skills for All increased government-funded VET activity from 2011 to 2012, with course enrolments increasing by 29.2% from 112,300 to 145,200.

During FY2014, the South Australian Government reviewed qualifications delivered and outcomes achieved across all industries. There was a reduced number of funded

qualifications available to individuals, while funding was re-allocated across industries.

Western Australia

Western Australia's demand driven model, Future Skills WA, was implemented on 1 January 2014. It includes subsidies for approved training providers, along with loans to students to cover the costs of the fees for Diplomas and Advanced Diplomas.

From 1 January 2014, there were more than 600 qualifications on Western Australia's priority list. This includes more than 500 different apprenticeships and traineeships and more than 80 qualifications under the Priority Industry Training category. These qualifications are supported by two foundation courses that provide essential literacy and numeracy support for students to complete their studies.

Projections to 2015-2016 show Western Australia's employment growth is likely to include strong demand for high-level skills. Most growth is expected to be met by qualifications of at least Certificate III or higher.

Queensland

Queensland has finalised a trial of the Demand Driven Model that was implemented in July 2013. The Queensland Government now plans to invest \$615 million in VET in FY2015F. The plan is a central element of the Queensland Governments' VET reform action plan, "Great Skills. Real Opportunities."

The plan outlines VET investment through the following programs and strategic interventions:

- Certificate III Guarantee;
- User Choice (apprenticeships and traineeships);
- Higher Level Skills;
- Community Learning;
- Industry Partnerships Strategy; and
- Indigenous Training Strategy.

New South Wales

From 1 January 2015, New South Wales will implement the Smart and Skilled demand driven model. This includes an entitlement to government subsidised training. This will allow individual students to undertake funded training up to Certificate III. Funded training will be offered in line with the 2014 New South Wales Skills List priorities. RTOs are applying for the contracts from July 2014 and successful providers will commence delivery of the contract from January 2015.

Ashley Services anticipates that through the Smart and Skilled program, New South Wales will experience strong growth in new course enrolments, similar to that which has been experienced in other states. This growth will include both the Corporate Market and Public Market.

Tasmania

In 2013 the Tasmanian Government implemented the Skills Fund Program which provides subsidised training via a range of options to suit the needs of industry and individuals. These include:

- The demand led program which provides subsidised training to the Corporate Market and Public Market;
- The Career Start program which supports the training needs of industry sectors and Tasmanian regions by offering subsidised places for full qualifications up to Certificate III; and
- The Bridging and Foundation Skills Program which provides additional training in the areas of foundation learning or work preparation that supports the needs of the individual to complete their training outcome and be work ready.

Through 2014 the Tasmanian Government will continue to invest in the vocational education and training system in Tasmania with the introduction of Skills for Work initiatives. Skills for Work incorporates a number of projects and programs tailored to meet the requirements of Tasmania's training system and the skills needs of the State.

2.3 Ashley Services' Training Overview

2.3.1 Overview

Ashley Services' Training business is one of Australia's largest independent VET providers and is forecasting approximately 19,700 course enrolments in FY2014F. Training offers 97 qualifications and eight accredited courses across 24 industries and holds 15 state government funding contracts across six states. Training has a national footprint with over 33 offices and an additional 63 training locations throughout Australia.

Training offers an end-to-end solution for both the Corporate and Public Markets. This includes the delivery of a range of VET training levels from Certificate I through to Diplomas. The scope of qualifications services a broad range of industries with approximately 60% of forecast course enrolments in FY2014F relating to the telecommunications, transport and logistics, civil construction, manufacturing and business services industries. During FY2014, Training expanded its course scopes to include the food services and agricultural sectors which generated course enrolments in these industries.

Ashley Services' qualifications are formally recognised and nationally accredited by the relevant governing authority. All qualifications are developed and delivered in line with the Australian Quality Framework (AQF) and governed by the relevant national or state regulatory authority.

Training's growth is supported by its ability to quickly recognise and adapt its scope of qualification offerings towards industries identified as skills shortage areas. Its internal curriculum development and recruitment teams are able to quickly modify the scope of qualifications to align with industry changes.

Industry and Business Overview

Training attracts revenue from the delivery of training services to the Corporate and Public Markets. These services are government funded, government subsidised or provided on a fee-for-service basis.

Training has experienced significant historical growth in course enrolments from FY2011 to FY2013 and has forecast material growth from FY2013 to FY2015F. This growth can be attributed to factors that include:

- introduction of the demand driven funding models in certain states;
- expansion of Training's scope of qualifications;
- alignment of training qualifications to skills shortage areas;
- growth in course enrolments from existing and new corporate relationships;

- growth in the utilisation of Training's services by Labour Hire and its clients; and
- acquisitions of complementary training businesses.

Training's largest geographic market is Victoria, primarily because it was the first state to implement a demand driven model. It is also where Ashley Services has established its largest geographical presence with 13 training offices. The Demand Driven Model has also been implemented in South Australia, Western Australia and Tasmania. It has been partly implemented in Queensland, with a full demand driven model to be implemented in Queensland in July 2014. In New South Wales, the demand driven model is expected to be implemented in January 2015.

Training is well positioned to participate in the expected growth in course enrolments as these Demand Driven Models are implemented.




Ashley Services believes the key attributes of Training include:

Extensive scope of qualifications	<ul style="list-style-type: none">• Capability to provide 97 qualifications and 8 accredited courses, which can be customised to meet the specific needs of clients.• Qualifications cover 24 industries to meet the requirements of both the Corporate and Public Markets.
Flexibility of scope development and course content	<ul style="list-style-type: none">• In-house curriculum design and development team.• Capacity to rapidly add or modify the scope of qualifications to meet the changing needs of client and funding opportunities.
Access to trainers	<ul style="list-style-type: none">• Blackadder recruits trainers using its proprietary database of trainers and operational personnel.• Blackadder's recruitment expertise allows Training to grow its trainer base to meet demands for rapid course deployment.
National footprint and scale	<ul style="list-style-type: none">• 33 offices and 63 additional training locations around Australia, including industry specific technical training centres.• Ashley Services also provides training to regional locations through a remote delivery program.
Diverse funding sources	<ul style="list-style-type: none">• Access to 15 state government funding contracts to support both Corporate and Public Market training.
Tailored solutions	<ul style="list-style-type: none">• Tailored training solutions to ensure programs are linked to client business objectives, policies and procedures.• These training solutions facilitate a streamlined approach to training and assessment. These assessments include:<ul style="list-style-type: none">– workplace;– face-to-face (classroom);– on-line; and– remote.
Experienced trainers	<ul style="list-style-type: none">• Trainers and assessors are typically sourced from industry and are experienced in their respective fields.• All trainers and assessors hold the relevant, up to date qualifications, and undertake professional development each year to maintain industry currency.

2.3.2 Brands

Training provides services under multiple brands. This reflects both the desire to maintain strong sector specialist brands including ASG Integracom and the need to meet varied requirements in different states to maintain state government funding.

Figure 15: Training brands

Brand	Role
	<ul style="list-style-type: none"> • Victorian-based national RTO. • Holds 84 qualifications on the scope of registration and provides training across 21 industries. • Holds nine state government funding contracts.
	<ul style="list-style-type: none"> • New South Wales-based RTO provides training in New South Wales, Western Australia and Victoria. • Delivers training primarily to Labour Hire and clients of Labour Hire. • Holds 26 qualifications on the scope of registration and provides training across five industries. • Holds four state government funding contracts: two in Western Australia, one in New South Wales and one enterprise contract in Victoria.
	<ul style="list-style-type: none"> • Provides training in Western Australia only. • Scope of delivery is focused primarily on WH&S, the mining industry and training and assessment. • Holds 17 qualifications on the scope of registration and provides training across five industries. • Holds two state government funding contracts in Western Australia.
	<ul style="list-style-type: none"> • Brand name held under Ash Pty Ltd. • Specialises in delivering telecommunications and electronic security training to the Corporate and Public Market.

2.3.3 Training markets

Training services two distinct markets, the Corporate Market and Public Market. Both provide attractive revenue models and are supported by both Commonwealth and state government funding. Each market exhibits different operational characteristics.

The Corporate Market is focused on the up-skilling of employed individuals who are generally performing a role similar to that of the qualification being delivered. These programs are tailored to the needs of the corporate entity. Delivery is targeted at improving the productivity and effectiveness of the workforce. As students are typically working within the industry, the training delivery days (face-to-face) are typically less. This is because the process is focused on mentoring, projects and evidence collection to determine competency. The typical delivery duration for qualifications to this market is about 18 months.

Training has established relationships with a wide range of corporate clients that operate in a broad range of industries. Training ranges from short courses to diplomas and executive leadership programs. Courses are specifically designed for each client. They incorporate client specific documentation, tailored client projects and, where applicable, induction programs. Training acts as a corporate partner with each client to ensure key long term deliverables are achieved for the organisation and the individual.

The Public Market is directed at individuals who are either unemployed, or employed and are looking to up-skill. Training is undertaken to help obtain employment or further their current employment opportunities. This market requires more face-to-face training than the Corporate Market. In addition, certain qualifications require practical placement within a workplace. The total duration of training for the Public Market is about three to 12 months depending on the qualification being delivered.

Industry and Business Overview

Figure 16: Corporate Market vs Public Market

	Corporate Market	Public Market
Typical students	<ul style="list-style-type: none"> • Employees seeking an accreditation for the skills they have previously gained. • Employees seeking additional qualifications and skills to further their career. • Employees maintaining compulsory certification standards. • Group training for corporates seeking business change or improvement. 	<ul style="list-style-type: none"> • Unemployed individuals seeking work. • Employed workers cross skilling into new industries. • Individuals returning to work. • Parents looking to up-skill or enter the workforce. • Individuals transitioning from care.
Funding sources	<ul style="list-style-type: none"> • Commonwealth Government. • State government. • Fee-for-service. • VET FEE-HELP*. 	<ul style="list-style-type: none"> • State government. • Fee-for-service. • VET FEE-HELP*.

* **Note:** Ashley Services lodged an application for VET FEE-HELP in June 2014.

Case Study – Public Market: **Certificate Level II in telecommunications**



In 2012, Ashley Services identified an opportunity within the telecommunications sector to up-skill individuals in preparation for the introduction of the new fibre networks being laid by NBN Co.

To deliver increased individual qualifications requirements, Ashley Services became an approved NBN supplier. It also developed technical training facilities nationwide to accommodate the needs of the program.

During FY2014, Ashley Services has trained over 500 job seekers in Certificate Level II qualifications in telecommunications.

Post qualification, graduates are presented to potential clients for possible employment. A number of graduates have moved into full time employment and have transitioned into Certificate Level III traineeships.

Ashley Services has now extended its scope to include the new qualifications of Certificate Levels II and III in NBN Construction to meet industry demands.

Case Study – Corporate Market: **Integracom**



Ashley Services identified significant potential growth in training demand in the telecommunications sector, resulting from:

- insufficient technicians for existing projects, including the NBN rollout;
- industry qualifications being placed on the NSNL; and
- compulsory training requirements and up-skilling driven by commercial necessity and regulatory requirements.

Ashley Services began investing in the corporate telecommunications training sector in January 2014, upgrading course material, recruiting qualified trainers and developing specialised training facilities.

In April 2014, Ashley Services and Integracom began joint initiatives in relation to corporate telecommunications training.

Integracom's leading market position was established in telecommunication training by providing high quality training materials and market leading training facilities combined with flexible course delivery. This includes night classes and online pre-learning modules that can be completed at home. Integracom's leading market position is attributable to:

- being first to market – servicing over 90% of the top electrical contractors;
- having national capability;
- having consistency of training facilities and materials; and
- web-based systems and utilisation of technology.

The acquisition of Integracom by Ashley Services will be completed on IPO and it will form the core of Ashley Services' telecommunications training services, marketed under the brand ASG Integracom.

2.3.4 Funding sources

Ashley Services holds 15 state government funding contracts that cover all six states. Under these contracts, state governments pay Training directly to fully fund or subsidise the cost of training delivered to the Corporate Market and Public Market. These subsidies assist to promote education and are typically targeted at supporting industries that require up-skilling or industries that are identified as having a skills shortage.

Training regularly tenders for new funding contracts or extensions to existing contracts. Training has been awarded demand driven funding contracts in Victoria, Queensland, Western Australia, South Australia and Tasmania. Training is currently tendering for the New South Wales Smart and Skilled funding contract which commences in January 2015.

Industry and Business Overview

Figure 17: State government funding contracts

RTO	Ash Pty Limited	Vocational Training Australia Pty Limited	Tracmin Pty Limited	Total
Trading as	Ashley Institute of Training ASG Integracom	National Institute of Training	Tracmin	
New South Wales	Approved Provider List (APL)- User Choice	Approved Provider List (APL)- User Choice		2
Queensland	User Choice (Apprenticeship and Traineeship Funding) Certificate III Guarantee			2
Victoria	Victoria Training Guarantee	Victoria Training Guarantee (Enterprise)		2
South Australia	Skills For All			1
Western Australia	User Choice (Approved Provider) Participation Program	User Choice (Approved Provider) Participation Program	User Choice (Approved Provider) Participation Program	6
Tasmania	Skills Fund 2014 User Choice Program			2
Total	9	4	2	15

Note: Tasmanian Skills fund consists of a number of individual tenders for specific qualifications and markets.

Training continues to align its scope of qualifications to industries that have been identified by industry bodies and the Commonwealth and state governments as having a skills shortage. These industries can attract additional training subsidies, which are paid by the Commonwealth Government to the employer. These payments subsidise the fees charged by Training to corporate clients. Training has seven qualifications on scope that align to the NSNL that attract Commonwealth Government training incentives for employers in the Corporate Market. Management anticipates further alignment of Training's scope of qualifications with the NSNL.

Figure 18: Ashley Services' NSNL aligned courses

Skills Shortage Area (Industry)	Qualification Name
Cooking	Certificate III in Commercial Cookery
Baking	Certificate III in Retail Baking (Combined)
Automotive	Certificate III in Heavy Commercial Vehicle Mechanical Technology
Telecommunications Lines Worker/ Technician	Certificate III in Telecommunications Certificate III in Telecommunications (Cabling)
Butchery/Smallgoods	Certificate III in Meat Processing (Retail Butcher) Certificate III in Meat Processing (Smallgoods General)

2.3.5 Revenue by markets

Training revenue is predominantly derived from state and Commonwealth government funding contracts, schemes and via fee-for-service. Revenue is generated through training delivery, with payments received either evenly across the duration of a program or upon completion of milestones.

In the Corporate Market, Training typically charges fees to the trainee's employer, which in turn is supported by Commonwealth Government funding programs under the Australian Apprenticeships Incentive Program. The employer attracts incentives under this program to partially or fully subsidise the fee for service charged by Training. Depending on the state in which the training is delivered, the training may also attract direct state incentives.

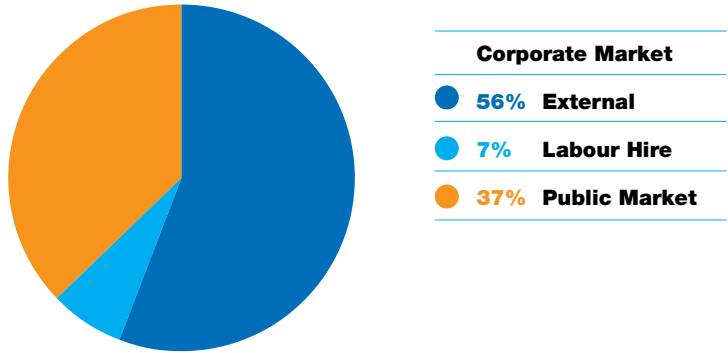
The Public Market focuses on unemployed/employed individuals seeking to up-skill. In this market, training fees are typically paid by state government funding programs or, in some instances, by the individual trainee.

Training is forecast to generate approximately 62% of its pro forma Training revenue from the Corporate Market in FY2014F. Of this, the provision of training services directly to the Labour Hire workforce is forecast to generate approximately 7% of pro forma Training revenue in FY2014F.

2.3.6 Client profile

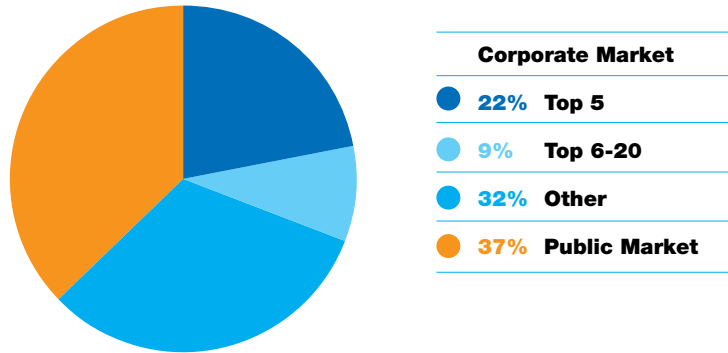
Clients in the Corporate Market are generally employers seeking to up-skill all or part of their workforce. Clients in the Public Market are generally individuals who are either unemployed, or employed and looking to up-skill to obtain employment or further their current employment opportunities.

Figure 19: Pro forma forecast Training revenue by client profile FY2014F



Training services over 100 corporate clients. The top 20 corporate clients are forecast to contribute 50% of pro forma forecast Corporate Market Training revenue for FY2014F. Labour Hire is forecast to be Training’s largest corporate client in FY2014F. Training revenue generated from Labour Hire is forecast to contribute 7% of pro forma Training revenue for FY2014F.

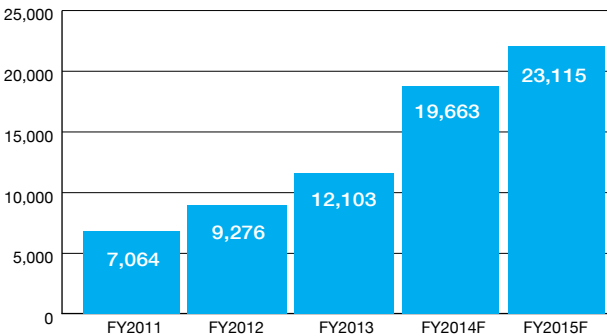
Figure 20: Pro forma forecast Training revenue by client profile FY2014F



2.3.7 Enrolment profile

Ashley Services’ pro forma course enrolments have grown strongly over time from 7,064 in FY2011 to 12,103 in FY2013 and are forecast to grow to 19,663 in FY2014F and 23,115 in FY2015F.

Figure 21: Ashley Services’ Training pro forma course enrolments historical and forecast FY2011 – FY2015F

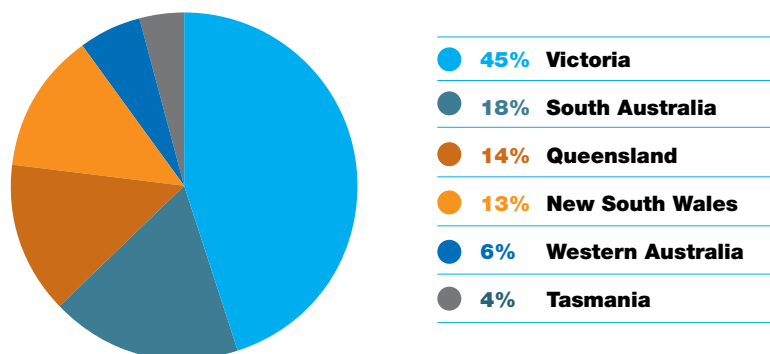


Industry and Business Overview

The geographic distribution of course enrolments reflects the implementation of the Demand Driven Model in Victoria in 2009, South Australia in 2012 and the Queensland pilot in 2013.

Training's forecast course enrolments in FY2015F are supported by the implementation of the Demand Driven Model in Western Australia in January 2014, in Queensland in July 2014 and the anticipated implementation in New South Wales in January 2015.

Figure 22: Training pro forma forecast course enrolments by state in FY2014F



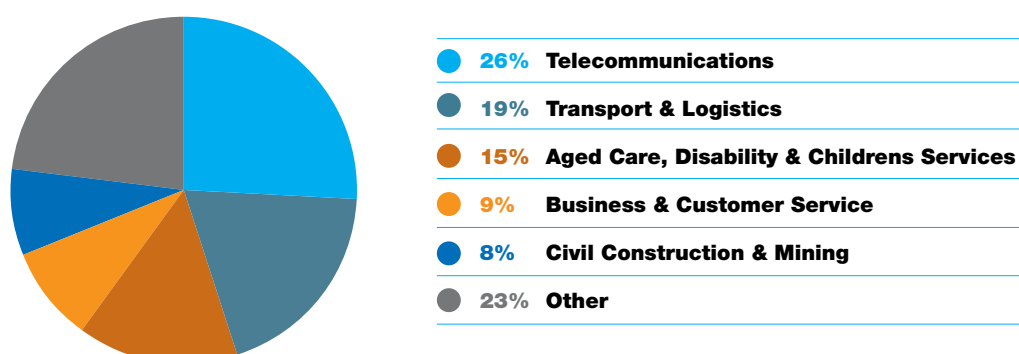
Ashley Services is pursuing growth opportunities within the Corporate Market with its existing course scope and through expanding into new industry sectors. This includes industries serviced by the Labour Hire business and its clients.

Training has expanded the scope of qualifications into new markets that align to areas identified as having a skills shortage by the Commonwealth or state governments. This has seen Training attract additional Corporate Market and Public Market clients and consistently increase volumes of course enrolments.

Approximately 93% of pro forma forecast course enrolments in FY2014 are expected to be within ten key industries. The main industries serviced include telecommunications, transport and logistics, business and customer service, civil construction and mining, aged care and disability and children's services.

23% of total pro forma course enrolments in FY2014F are forecast to involve qualifications delivered to the telecommunications industry and which are aligned to the NSNL. Ashley Services expects total course enrolments aligned to the NSNL will increase as a proportion of total forecast course enrolments in FY2015F. This is attributable to further growth in telecommunications and course enrolments through additional qualifications added to scope in FY2014F that align to the NSNL.

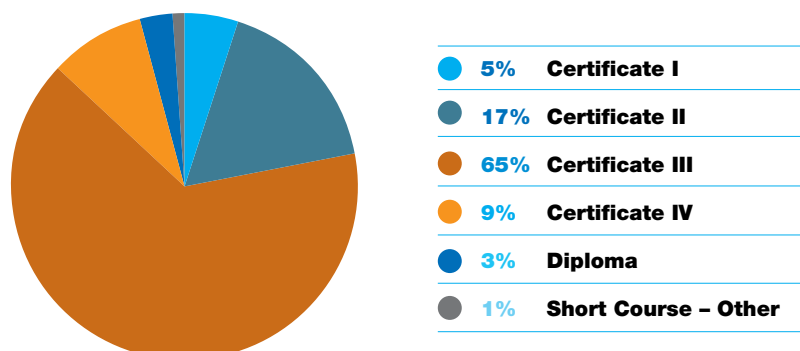
Figure 23: Training pro forma forecast course enrolments by industry in FY2014F



Training's qualifications range from short courses through to higher level diplomas. In FY2014F, Training has forecast that 82% of course enrolments will be either Certificate Level II or III. This aligns to industry demand and is supported by Commonwealth and state government funding contracts currently held by Training.

Training lodged an application for VET FEE-HELP in June 2014. If the application is successful, Training would anticipate increasing its offering of Diploma level qualifications to take advantage of this source of student funding. Ashley Services has not assumed any revenue associated with VET FEE-HELP in the financial forecasts.

Figure 24: Training pro forma forecast course enrolment by certification level in FY2014F



2.3.8 Scope and qualifications

Training provides a comprehensive VET offering with 97 qualifications and 8 accredited courses that cover 24 industries. These qualifications range from short courses through to higher level diplomas and are often tailored client specific solutions.

These qualifications are managed by an internal curriculum design and development team that is focused on maintaining the quality of current materials, designing customised material for the Corporate and Public Markets and expanding products and services into new markets and industries.

Qualification content is developed by a team of industry specialists. This enables qualifications to quickly be added to the scope of registration. This provides flexibility to adjust to changes in Commonwealth and state government funding programs and corporate client requirements.

The qualifications on scope are managed based on three principles:

- Funding – the qualification must attract appropriate government funding that will allow Ashley Services to achieve its target return on its investment in training materials, equipment, facilities and the cost of trainers.
- Demand – there must be sufficient numbers of students to generate appropriate returns on investment. In assessing this likely demand, Ashley Services also assesses the potential demand from its own Labour Hire workforce in relation to any new course.
- Expertise – Training has developed considerable training expertise across its key industry sectors (telecommunications, transport and logistics, manufacturing, community services and business). While Ashley Services will continue to expand its areas of training, there are considerable efficiencies associated with developing and providing courses and securing students within its existing core industry competencies.

Training has a track record of growing and developing its scope of qualifications. In the past two years 37 new qualifications were added and 31 existing qualifications were upgraded.

Industry and Business Overview

The table below is an overview of the VET qualifications and accredited courses in industry sectors offered by Ashley Services:

Figure 25: Ashley Services' VET qualifications and accredited courses

Course	2011	2012	2013	2014
Aged Care / Health Services Assist				
Occupational Health and Safety				
Asset Maintenance				
Marketing and Human Resources				
Business				
Customer Contact				
Civil Construction				
Mining/Quarrying				
Childcare				
Training and Assessment				
Transport and Logistics				
Hospitality				
Manufacturing Systems				
Retail Operations				
Engineering Production Systems				
Disabilities				
Food Processing				
Telecommunications/ NBN				
Commercial Cookery/ Bakery				
Horticulture				
Meat Retailing / Smallgoods Manufacture				
English and Vocational Preparation				
Construction/Scaffolding				
Automotive				
Total Qualifications on scope	59	60	80	97
Total Accredited Courses			5	8
Total Qualifications and Courses	59	60	85	105

The Australian Qualifications Framework (**AQF**) defines all nationally recognised qualifications, and, in the VET sector, nationally recognised AQF qualifications are provided through endorsed Training Packages and accredited courses.

In endorsed Training Packages, qualifications are created by combining units of competency into meaningful groups aligned to the AQF and endorsed by the National Quality Council (**NQC**) within the Training Package Qualifications Framework.

An accredited course has been assessed by ASQA or relevant state regulatory authority as compliant with the Standards for VET Accredited Courses 2012 and the AQF. Accredited courses are qualifications which are not in a training package.

Training's accredited courses are for English and Vocational preparation.

2.3.9 Business Development

Training uses four distinct strategies to develop opportunities to secure new clients within the Corporate Market. An overview of these strategies is shown in the tables below:

Figure 26: Corporate Market – business development

Strategy	Overview
Existing relationships	<ul style="list-style-type: none"> Leveraging existing corporate relationships to generate new business development opportunities. Includes the Labour Hire business and its clients.
Tenders and proposals	<ul style="list-style-type: none"> Ashley Services has access to a number of tender portals such as “TenderLink”, “AusTender” and “Tenders Vic”. These portals identify opportunities with the Commonwealth and state governments and other Australian organisations. Ashley Services provides detailed proposals linked to identified corporate client opportunities.
Government agencies	<ul style="list-style-type: none"> Training generates opportunities from relationships with the relevant state and Commonwealth government training authorities and industry bodies.
Alliances	<ul style="list-style-type: none"> Training is developing alliances with advisory firms offering complementary services to the Corporate Market.

Figure 27: Public Market – business development

Strategy	Overview
Direct marketing	<ul style="list-style-type: none"> Training uses various marketing techniques and methods tailored to the Public Market, including: <ul style="list-style-type: none"> digital and print marketing; face-to-face sales; and targeted promotional events in high volume Public Market areas.
Government partnerships	<ul style="list-style-type: none"> Established long term relationships with Commonwealth Government referral agencies such as Job Service Australia providers, Disability Employment Services providers, Social Welfare groups and Centrelink. Training works closely with these agencies to provide tailored solutions to fulfil community needs.
Corporate partnerships	<ul style="list-style-type: none"> Training has a large network of corporate clients, including Labour Hire and its clients, who work with Training to develop employment pathways for individuals in the Public Market. Labour Hire provides referrals to Training for individuals who require further skills to become job ready or want to up-skill.

2.3.10 Systems, compliance and registration

RTOs operate in a heavily regulated market and therefore compliance and registration are core functions of the Training business.

Training manages state and Commonwealth government regulatory requirements via a structured and systematic process of internal and external audits. This is supported by comprehensive management processes that aim to ensure that daily activities meet and exceed the required standard.

Ashley Services has 15 state government funding contracts across Australia and is regularly under scheduled reviews and audits from state government authorities, as well as national authorities in relation to the national RTO registration and funding contracts.

As a result of the ongoing state government audits, one of Ashley Services’ minor funding contracts is currently under a notice to remedy default. Management is confident of resolving the issues raised. Ashley Services has not included any revenue in the financial forecasts from this contract with the exception of work in progress carried forward into pro forma FY2015F. Ashley

Industry and Business Overview

Services does not consider this funding contract to be material. Please refer to section 5.2.1(1) for more information on the risks associated with Ashley Services' government funding contracts.

Training has a National Quality and Program Manager who leads a national team that consists of curriculum design, process and systems and policy and procedures departments. This team is responsible for maintaining registration of Training's RTOs. State-based funding contracts are monitored and supported by the national team and managed at a state level by the local management team.

Training has developed and implemented a dedicated IT platform that supports management of compliance and materials, students and e-learning. It streamlines workflows for administration and coordinators, and provides an interactive learning experience for students. Ashley Services intends to upgrade its student enrolment and management system. The appropriate level of capital expenditure has been allowed for to facilitate the upgrade of those systems.

Ashley Services is ISO accredited in safety (AS/NZS4801), quality (ISO9001) and environment (ISO14001). In 2013, it completed its tri-annual ISO audit. It received re-accreditation across the business.

Registration renewal dates for each of Training's RTOs are shown below. Ashley Services' national quality and programs team are currently undertaking reviews of the processes, systems and procedures of all states to ensure Training is well prepared for the re-registration of Ash Pty Limited at the end of 2014.

Figure 28: RTO registration renewal dates

Ashley Services RTO	Registration Renewal Date
Ash Pty Limited (TOID 20749)	ASQA registration - November 2014
Tracmin Pty Limited (TOID 51895)	WA TAC registration - February 2016
Australian Institute of Vocational Development Pty Limited (TOID 40595)	ASQA registration - January 2018
Vocational Training Australia Pty Limited (TOID 90804)	ASQA registration - December 2018

2.4 Labour Hire Industry Overview

2.4.1 Introduction

Labour hire agencies provide flexible labour solutions to companies and workers. Labour hire primarily entails the provision of an outsourced workforce that can be available to companies at short notice and deployed for short or long periods. In the past two decades, the general trend towards outsourcing in both the private and public sectors has fuelled strong growth in the labour hire industry.

In recent years, the labour hire industry in Australia has expanded far beyond the temporary employment agency model. Labour hire is now used for the purposes of reducing costs and increasing flexibility. In some instances, existing workforces are replaced or substituted with more flexible, cost-effective workers sourced through labour hire. Companies across all sectors use labour hire solutions to manage their skilled staff requirements and to provide a cost-effective approach to overseeing payroll and other administrative requirements. The major users of labour hire services tend to be businesses in industries that are unskilled or semi-skilled, are labour intensive and face seasonality in workflow (either within the working week/shifts or across projects).

(1) The labour hire industry and how it works

Labour hire agencies provide the employment link between workers and companies

Labour hire involves the provision of temporary staff to clients. The staff remain employed by the labour hire provider, rather than becoming legally employed by the client. Whilst the client maintains operational control of the worker, the labour hire provider is the employer and is responsible for paying all the workers' wages and related costs, as well as for associated responsibilities, particularly with regard to WH&S.

Labour hire workers are on-hired to clients that require temporary or casual labour. Clients pay a fee for each hour of work provided that covers the worker's wages plus a margin to cover other costs such as superannuation, insurance, payroll tax and the agency's operating expenses.

The labour hire agency relationship

Typically, a labour hire arrangement is an agreement involving three parties: the labour hire worker, the labour hire agency and the company seeking to hire the labour.

The labour hire worker will inform a labour hire agency that they are available for work. The labour hire agency will then assess the labour hire worker's skills and qualifications.

Once a labour hire agency has been engaged by a client to supply labour hire workers, the labour hire agency will match the labour hire workers with the relevant skills and availability with the client.

Why companies choose to use labour hire

There are a number of reasons why companies choose to use labour hire to fulfil their labour requirements. Some of these include:

- labour hire employment provides companies with more control over the length of time over which they choose to employ workers and can also provide greater control over the tasks that the workers carry out in that time;
- the risks of recruiting and retrenching workers are transferred to either the labour hire agency or to the labour hire worker;
- companies achieve greater staffing flexibility and reduce the administrative burden of employment, such as human resources and payroll; and
- companies reduce their training and WH&S burden – labour hire staff arrive trained and ready for work.

A survey completed by the Australian Productivity Commission in 2003 indicated that although companies use labour hire arrangements for a number of reasons, the most common include, to:

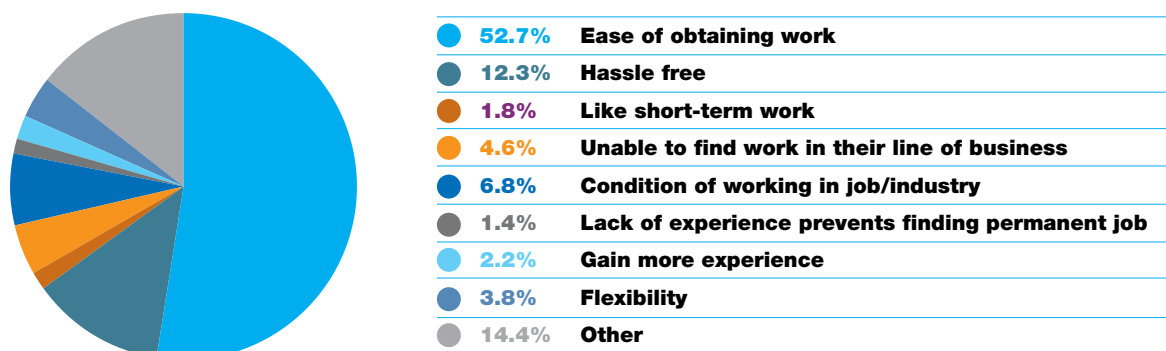
- source additional staff;
- replace temporarily absent employees;
- outsource the administrative burden of employment;
- achieve thorough recruitment; and
- overcome skill shortages.

Other reasons given included speed of availability, short term overload, convenience, guarantee of performance, difficult to fill positions, leave replacement, cost and poor self-recruitment.

Why workers use labour hire agencies

Labour hire workers use labour hire agencies to access work for a number of reasons. The key reason identified in a survey by the Australian Bureau of Statistics was that labour hire agencies make it easier to obtain work. Of those surveyed, 52.7% of those employed through a labour hire agency in 2011 gave ease of obtaining work as their main reason for using a labour hire agency instead of direct employment.

Fig 29: Reasons for using labour hire agencies



Source: Australian Bureau of Statistics

Industry and Business Overview

2.4.2 The labour hire market

Industry revenue

The temporary staff and labour hire market in Australia is believed to generate approximately \$19 billion in revenue annually. The industry has evolved substantially over the past decade, with labour hire agencies now representing an important part of the labour market for skilled, semi-skilled and unskilled labour across a number of industries.

The overall industry is anticipated to grow by around 1% annually over the next five years. However, Ashley Services believes that certain segments of the labour hire industry will grow faster than this while some segments of the labour hire industry may experience slower growth. The overall strength of the industry is expected to continue as anecdotal evidence suggests that companies are reluctant to return to in-house labour management once they have recognised the benefits of using a labour hire agency.

Key players in the labour hire industry

The labour hire sector in Australia is fairly fragmented, with a few major players and a large number of niche and often specialised players. The wider industry is characterised by a large number of small companies specialised by industry or operating in a particular geographic region.

Ashley Services believes that there are approximately 5,000 labour hire companies currently operating in the industry.

The labour hire industry provides staffing services to a wide range of industries and sectors. Although mining and professional businesses are viewed as being the largest users of labour hire, labour hire is used across all sectors. Sectors such as construction and transport and logistics are becoming increasingly large users of labour hire.

Key success factors

Successful operators in the labour hire industry have focused on the development of close relationships with clients and maintaining service quality. This allows operators to differentiate their services from those of others based on quality and reliability and means they can demand higher fees to achieve greater margins.

Key success factors for operators in the labour hire industry include:

- strong database of active workers: access to a ready supply of skilled and trained workers to place with clients on short notice at the client's request. Clients place high importance on an agency's ability to provide 100% of the requested workforce every single day;
- strong vetting and training processes: ensuring that all workers on an agency's database are appropriately trained, skilled and fit for work;
- client relationships: having strong relationships in a wide variety of industries and companies is critical to maximising utilisation of the workforce; and
- efficient technology: access to the latest available and most efficient technology and techniques is important to achieving streamlined processes. Technology enables the agency to meet its daily staffing requirements efficiently and effectively.

Demand cycles

Demand for labour hire and contract services tends to follow the economic cycle. During times of strong economic activity, unemployment is low and thus demand for the available labour is high. Employers can experience difficulties in filling their staffing requirements. As the economy slows, demand for labour hire workers can decrease as businesses may reduce production and general competition for labour is lower.

The labour hire industry can exhibit some counter-cyclical movements during slow times as employers can fill gaps in their workforce with labour hire staff in place of committing to a permanent staffing decision.

2.4.3 The Australian labour market

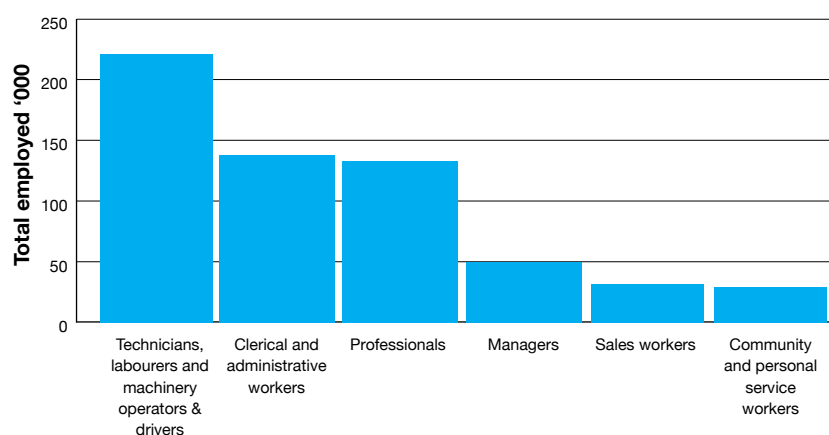
The labour market in Australia consists of 11.3 million persons employed throughout a variety of industries and in a number of different employment methods.

Employees that found their job through a labour hire agency are classified as being a labour hire worker. These labour hire workers represent 605,400 workers or 5.3% of the total employed persons in the Australian labour market.

Occupations of labour hire workers

Labour hire workers are employed across all occupations. The primary occupations of those workers who are hired through a labour hire agency are technicians and trades workers, machinery operators and drivers and labourers.

Figure 30: Labour hire by occupation



Source: Australian Bureau of Statistics – 2011 Forms of Employment Report (released 2012)

A total of 9.6% of all labour hire workers are employed in the manufacturing industry, with a further 6.9% in transport, postal and warehousing.

Labour hire workers as a percentage of total employed persons is 6% on average across all industries. In some industries, such as manufacturing, mining, administrative and support services and financial and insurance services, labour hire workers represent around 10%.

Industry and Business Overview

Figure 31: Labour hire employment by industry

Labour hire workers by industry	Labour hire workers ('000)	% of labour hire workers of total employed
Manufacturing	90.9	9.6%
Professional, scientific and technical services	54.1	6.3%
Financial and insurance services	52.5	12.7%
Health care and social assistance	47.8	3.5%
Administrative and support services	45.5	11.6%
Public administration and safety	44.7	6.1%
Transport, postal and warehousing	39.3	6.9%
Retail trade	38.4	3.2%
Construction	36.1	3.5%
Wholesale trade	33.2	7.5%
Mining	23.8	9.8%
Accommodation and food services	20.1	2.7%
Information media and telecommunications	18.3	9.2%
Education and training	18.2	2.1%
Electricity, gas, water and waste services	14.7	9.0%
Other services	8.8	1.9%
Arts and recreation services	6.6	3.2%
Rental, hiring and real estate services	6.3	3.4%
Agriculture, forestry and fishing	6.1	1.9%
Total	605.4	6.0%¹

Source: Australian Bureau of Statistics - 2011 Forms of Employment Report (released 2012)

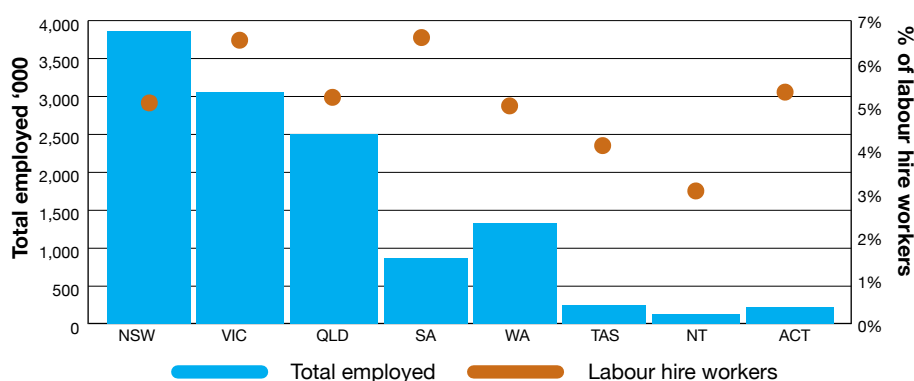
¹ This figure is an average percentage.

Use of labour hire occurs in all states and territories

The prevalence of labour hire is similar across all states and territories; with between 2.9% and 6.4% of the total workforce employed through labour hire, with the largest proportion of labour hire workers as a proportion of the workforce in Victoria and New South Wales.

Total numbers of labour hire workers are greatest in New South Wales and Victoria due to their larger workforces and the dominance of economic activity in these states.

Figure 32: Labour hire workers as a percentage of total employed by state



Source: Australian Bureau of Statistics - 2011 Forms of Employment Report (released 2012)

2.5 Ashley Services' Labour Hire Overview

2.5.1 Overview

Ashley Services' Labour Hire business is a long established Australian business with a strong presence in the warehouse, logistics, fast-moving consumer goods, food, pharmaceutical, manufacturing and trades industries. Labour Hire also includes the Blackadder professional labour hire and recruitment business, which is forecast to contribute \$8.3 million of revenue on a pro forma basis for FY2014F.

Labour Hire's growth has been integral to the success of the Training business by generating training revenue from Labour Hire's direct employees as well as training opportunities from Labour Hire's corporate clients.

Labour Hire has grown through acquisition, incremental work from long-standing clients and winning new clients through tenders. Labour Hire has succeeded in winning new work due to the depth of its candidate database, the quality of its candidates (being a function of its vetting and training processes), sound customer service, on-time in-full delivery of the required workforce and competitive pricing models.

Labour Hire is forecast to employ an average of approximately 3,800 labour hire workers each week in FY2014F and operates a database of over 7,000 active candidates that can be drawn from to meet the high volume needs of its clients. Client orders for staff can be turned around within an hour, providing clients with reliable and timely access to staff to supplement their workforce requirements, even for ad hoc staffing requirements.

Labour Hire's recruitment methodology is one of its key strengths. Once a new client's requirements have been assessed, candidate sourcing begins. Candidates are put through role specific pre-employment functional assessment to ensure that they are appropriately skilled and fit for work. This functional assessment is performed in-house by Ashley Services. Once this assessment is complete, eligible candidates are interviewed and references and qualifications are checked.

Labour Hire completes follow-up assessments and reviews to ensure that performance is as desired once candidates have been placed. Ashley Services is then well placed to provide ongoing training through the Training business to candidates who wish to continue to increase their skill and qualification levels within their chosen industry.

Ashley Services believes the key attributes of its Labour Hire business include:

Established relationships	<ul style="list-style-type: none"> • Deep and established relationships with national and multi-national corporates. • Strong, long tenure relationships - average relationship length of 4.7 years with top 20 clients. • Top 20 clients are forecast to provide 83% of pro forma Labour Hire revenue in FY2015F.
National coverage and scale	<ul style="list-style-type: none"> • National coverage with 33 offices providing capability to cater for large national clients. • On average, approximately 3,800 workers forecast to be employed each week in FY2014F, from a database of over 7,000 active candidates. • Recruitment and selection processes designed for high volume delivery.
Integrated service offering	<ul style="list-style-type: none"> • Offers labour hire, trades and engineering staffing, professional labour hire and recruitment and accredited training.
Availability	<ul style="list-style-type: none"> • Services are available 24 hours a day, seven days a week with dedicated after-hours and in-house consultants. • Access to a large database of inducted and available candidates who are able to start work within short notice.
Customised solutions	<ul style="list-style-type: none"> • Combined training and labour hire solutions are tailored specifically according to the client's needs. • Tailored reporting and labour spend analysis.

Industry and Business Overview

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- | | |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quality assurance | <ul style="list-style-type: none">• Role specific, pre-employment functional assessments are completed on potential candidates during the recruitment and screening process.• Site inductions provided for new staff.• Accredited WH&S systems and processes. |
|--------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Industrial relations | <ul style="list-style-type: none">• Established industrial relations platform.• Independent collective agreements allowing flexibility.• Experienced operator in sensitive environments. |
|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Specialist advice | <ul style="list-style-type: none">• Multi-sector expertise with consultants who specialise in industry sectors.• Dedicated onsite consultants for large and complex requirements. Onsite consultants manage workforce planning, inductions, training, performance management and productivity improvement. |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
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- | | |
|----------------------------------|---------------------------------------------------------------------------------------------|
| Competitive pricing model | <ul style="list-style-type: none">• Competitive and innovative pricing model. |
|----------------------------------|---------------------------------------------------------------------------------------------|
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2.5.2 Brands

Labour Hire operates under a multiple-brand delivery structure. The use of differing brands allows Ashley Services to provide tailored service models to its clients and provides the opportunity to increase market share based on individual brand recognition:

Brand	Role
	<ul style="list-style-type: none">• Labour hire business specialising in the warehousing and distribution, transport and manufacturing industries.
	<ul style="list-style-type: none">• Labour hire business specialising in the horticulture and distribution industries.
	<ul style="list-style-type: none">• Labour hire and recruitment business specialising in trades, engineering and technical services.
	<ul style="list-style-type: none">• Professional labour hire and recruitment services business which delivers services to both internal and external clients.• Temporary, contract and permanent recruitment services.

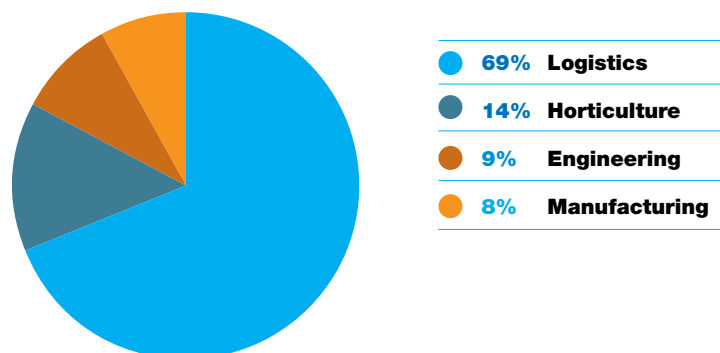
2.5.3 Revenue by industry

Labour Hire is a leading provider of labour hire to companies in the warehouse, logistics, fast-moving consumer goods, food, pharmaceutical and trades industries. Other labour hire specialities include retail, healthcare, food and beverage and other manufacturing. Labour Hire currently has minimal exposure to the mining or resources industry.

The labour hire industry is worth approximately \$19 billion annually, of which 6.9% or \$1.3 billion is attributed to the transport, postal and warehousing sector. Labour Hire is forecast to generate \$174 million in FY2014 in this sector, which equates to a market share of approximately 13%.

In pro forma FY2014F, transport and logistics are expected to account for 69% of Ashley Services' Labour Hire forecast revenue, with horticulture representing the second largest sector at 14%.

Figure 33: Pro forma Labour Hire revenue by industry in FY2014F



2.5.4 Client profile

Labour Hire has a diversified client base with more than 265 active customers in FY2014F, with employees working at approximately 380 different client locations.

Labour Hire has a number of strong client relationships. Examples of such relationships include:

- a preferred supplier of labour hire to two of the largest operators of warehousing and distribution in Australia since 2011;
- a supplier of personnel to one of Australia’s largest rail transport manufacturers and service providers since 2004;
- recently awarded sole supply arrangement with one of the largest international third party logistics companies operating in Australia; and
- a supplier of, on average, 600 horticultural workers per week to a major fresh produce grower since 2009.

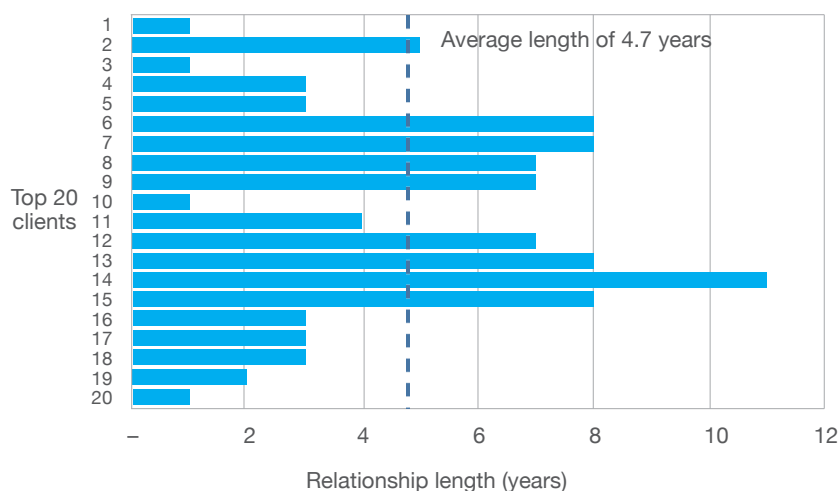
Labour Hire’s top 20 clients are forecast to contribute \$201 million of pro forma revenue in FY2014F, and \$219 million in FY2015F, representing 83% of total revenue for Labour Hire in both years.

Figure 34: Client profile in FY2012, FY2013, FY2014F and 2015F

Customers	FY2012	FY2013	FY2014F	FY2015F
Top 5	34.9%	44.6%	53.7%	55.0%
Top 20	61.5%	69.9%	82.8%	82.7%

Labour Hire has longstanding relationships with a number of its key clients. It has supply agreements with its top eight clients, with each agreement having a term of one to three years plus options or continuing terms for further years. Labour Hire has sole supply agreements with its top three clients, meaning all labour hire requirements for these clients are fulfilled solely through Ashley Services. The average relationship tenure with its top 20 clients is 4.7 years.

Figure 35: Relationship length with top 20 clients for FY2014F



Industry and Business Overview

Labour Hire's largest contract by FY2014F pro forma revenue commenced in September 2013 and is for a three year initial term.

All customer agreements have KPIs which must be met in order to retain supplier status. Ashley Services maintains strong compliance with client specific KPIs which has been a key factor in maintaining its strong relationships.

2.5.5 Business development

Ashley Services' Labour Hire clients, currently under service level agreements, are forecast to account for more than 75% of Labour Hire's revenue on a pro forma basis in FY2015F, with approximately 55% forecast to be derived from the top five customers under service level agreements.

In addition to servicing and growing existing client relationships, Labour Hire's development strategy comprises three distinct approaches:

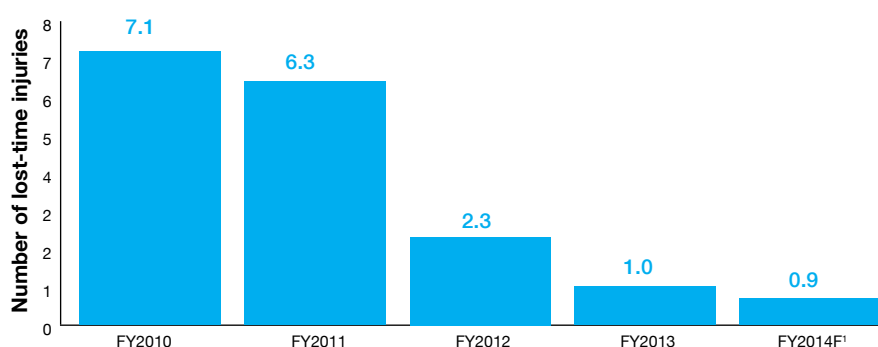
Figure 36: Labour Hire business development

Approach	Overview
Client referrals	<ul style="list-style-type: none"> Existing corporate clients generate referrals for new clients.
Tender invitations	<ul style="list-style-type: none"> Ashley Services has access to a number of tender portals such as "TenderLink" and "AusTender". The majority of tenders are by invitation only, and Labour Hire will only tender for roles that meet WH&S requirements.
Acquisitions	<ul style="list-style-type: none"> Acquisitions provide a platform to build and develop relationships with new clients and gain exposure to new industries. Acquisitions of companies with strong client relationships and large workforces provide Ashley Services with access to implement and grow its Training business.

2.5.6 Safety record

Ashley Services is committed to ensuring the health and safety of its employees. The graph below highlights the strong improvement in Ashley Services' lost time injury frequency rate (LTIFR) and safety record over the last five years:

Figure 37: Ashley Services' lost time injury frequency rate²



1. 12 months to June 2014.

2. Does not include Concept.

The improvement in Ashley Services' safety record can be attributed to the implementation of the following initiatives:

- early intervention program introduced in 2011;
- in-house functional assessments in NSW introduced in 2012; and
- in-house functional assessments throughout Australia introduced in 2013.

Prior to 2012, Ashley Services' Labour Hire followed industry standard procedures and contracted out pre-employment functional assessments to external medical practitioners. Ashley Services believes that the significant improvement in Ashley Services' safety record is in large part due to the implementation of the in-house functional assessment process.

2.5.7 Compliance and registration

Ashley Services is committed to providing clients with the highest standard of service and is therefore Safety (AS/NZS4801), Quality (ISO 9001) and Environmentally (ISO 14001) accredited.

2.6 Ashley Services' Growth Strategy

Ashley Services' growth strategy is underpinned by organic growth initiatives combined with ongoing strategic acquisitions. The key features of this growth strategy are summarised in Figure 38:

Figure 38: Ashley Services' growth strategy

	Training	Labour Hire
Organic	<ul style="list-style-type: none"> • Leverage Labour Hire and other corporate relationships to expand Corporate Market share • Pursue new funding opportunities: <ul style="list-style-type: none"> – expansion in WA, QLD and NSW as Demand Driven Model is fully deployed – VET FEE-HELP and Higher Education • Scope expansion and entry into new industries, aligned with: <ul style="list-style-type: none"> – the NSNL; – the Labour Hire client base; and – high growth industries • Geographic expansion • CRICOS registration for international students • VET in secondary schools 	<ul style="list-style-type: none"> • Leverage existing Labour Hire clients to increase demand for services • Geographic expansion • Expand Group Training Organisation nationally: <ul style="list-style-type: none"> – provides the ability to employ apprentices; and – accreditation received in WA as first stage • Pursue new industry sectors: <ul style="list-style-type: none"> – heavy maintenance and construction; and – telecommunications • Tender pipeline
Acquisitions	<ul style="list-style-type: none"> • Private VET is highly fragmented, nascent industry, with over 5,000 providers • Target bolt-on opportunities to: <ul style="list-style-type: none"> – expand client base; – enter new markets and industries; – expand scope; – leverage Labour Hire client base; – grow geographical footprint; and – access new revenue sources 	<ul style="list-style-type: none"> • Labour hire industry is highly fragmented • Target businesses that justify investment on standalone business plus drive significant synergies through the Training business

2.6.1 Training growth strategy

Ashley Services' future growth strategy for Training centres on the following key factors and initiatives.

(1) Organic growth

(a) Leverage Labour Hire and other corporate relationships to expand Corporate market share

Ashley Services' Training business will continue to leverage its existing Labour Hire client relationships, to identify opportunities to expand training in the Corporate Market. Labour Hire's workforce provides an ongoing source of demand for new training. Clients of Labour Hire typically have a larger workforce than that which is deployed by Labour Hire. This represents a source of potential training candidates, including both fee-for-service opportunities and Public Market pathway options.

One element of Training's development strategy is to increase enrolments from existing corporate clients by scope of qualification, funding and geographic extension.

Industry and Business Overview

A number of contracts for additional revenue are in various stages of negotiation with potential corporate clients. If one or more of these contracts are finalised, their revenue contribution could be material. These potential contracts have not been included in the financial forecasts.

(b) Pursue new funding opportunities

Identifying and securing new funding opportunities are integral to Training's growth strategy. Historically, new government funding initiatives have been the key drivers of growth, as evidenced by the impact of the implementation of the Demand Driven Model in Victoria and South Australia.

The Demand Driven Model was most recently implemented in Western Australia in January 2014, in Queensland in July 2014 and is expected to be implemented in New South Wales in January 2015.

Ashley Services' national footprint and extensive scope of qualifications mean it is well positioned to capitalise on course enrolments which may result from the introduction of the Demand Driven Model in states and territories where it has not yet been implemented.

VET FEE-HELP is a Commonwealth Government loan scheme that assists eligible students with tuition fees for higher-level VET courses focusing primarily on the Diploma and Advanced Diploma level. Ashley Services believes this scheme could provide significant opportunities for the Company and has lodged an application to become a VET FEE-HELP provider. Revenue associated with VET FEE-HELP has not been included in the financial forecasts.

(c) Scope expansion and entry into new industries

As funding models and industries change over time, the training needs of companies also change. Ashley Services' internal course development capabilities enable it to respond quickly to market needs by expanding its product offering with short lead times. Ashley Services is therefore well placed to benefit from any changes in funding models or industry dynamics.

The NSNL is a Commonwealth Government funding scheme which is designed to contribute to the development of a highly skilled and relevant Australian workforce. It provides additional funding, including employer incentives, for training in skill areas identified as being on the NSNL. Ashley Services may expand its scope or enter new industries as a result of the opportunities presented through this funding scheme.

(d) Geographic expansion

Ashley Services' capability to quickly expand its geographical presence means Training is well positioned to capitalise on market opportunities, if and when they arise.

Ashley Services demonstrated its ability to expand its geographic footprint quickly when the Demand Driven Model was introduced in Victoria. Ashley Services has successfully grown its Victorian operations from two to 13 locations.

(e) CRICOS registration for international students

Education providers who intend to offer education or training services to international students studying in Australia on student visas must register on CRICOS.

Ashley Services is in the process of lodging its application to become a CRICOS approved provider. Subject to registration approval, Training anticipates that the CRICOS registration will assist Ashley Services in diversifying its revenue sources to include international fee-for-service students. Revenue associated with CRICOS registration and international students has not been included in the financial forecasts.

(f) VET in secondary schools

The VET in Schools programs, which include Australian School-based Apprenticeships or Traineeships, are undertaken by school students as part of their senior secondary certificate.

The VET in Schools programs provide credit towards a nationally recognised VET qualification within the AQF. The training that students receive reflects specific industry competency standards and is delivered by an RTO or a school in partnership with an RTO.

Ashley Services has identified the VET in Schools programs as an area of potential growth.

Integracom has undertaken VET in Schools programs in WA in conjunction with the Youth Attainment and Transition Funding Program.

Through Integracom's experience, Ashley Services is well positioned to be a national provider in this emerging market. Revenue associated with VET in Schools programs has not been included in the financial forecasts.

(2) Growth by acquisition

The VET industry is relatively fragmented. Due to the increasing complexity of regulatory and administrative requirements, Ashley Services believes the VET sector market will continue to consolidate. As a result, Training will continue to evaluate bolt-on acquisition opportunities.

Ashley Services is highly selective in its approach to identifying potential acquisition targets and has a proven track record of successfully integrating acquired businesses.

Ashley Services will continue to focus on identifying and pursuing new acquisition opportunities to:

- enter new markets;
- expand scope;
- leverage the Labour Hire client base; and
- expand geographical reach.

2.6.2 Labour Hire Growth Strategy

Ashley Services' future growth strategy for Labour Hire centres on the following key initiatives:

(1) Organic growth

(a) Leverage existing Labour Hire clients to increase demand for services

Labour Hire will grow by leveraging existing relationships and providing the Labour Hire brands with cross supply opportunities. Client referrals have also historically been a strong source of new revenue for Labour Hire.

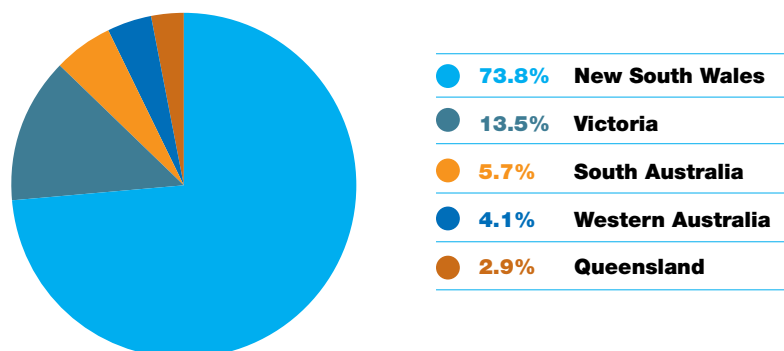
A number of contracts for additional revenue are in various stages of negotiation. If one or more of these contracts are finalised, their revenue contribution could be material. These potential contracts have not been included in the financial forecasts.

(b) Geographic expansion

Labour Hire has increased its national presence through a combined strategy of organic growth and acquisition. While Action Workforce was historically viewed as predominantly a New South Wales provider, it now delivers a national supply model across Australia to a number of national and multi-national corporates. Labour Hire is currently implementing a national development strategy with its Blackadder, Concept and OneForce brands to replicate the Action Workforce's national supply capability.

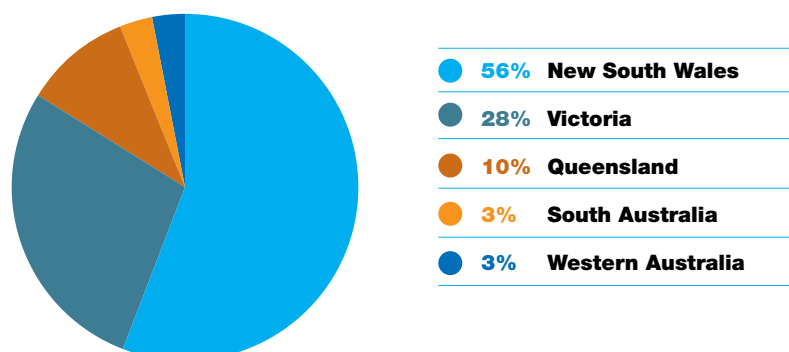
Figure 39: Pro forma Labour Hire revenue by state in FY2012 and pro forma Labour Hire revenue by state in FY2014F

FY2012 Labour Hire revenue¹



1. Excludes Blackadder revenue.

FY2014F Labour Hire revenue¹



1. Excludes Blackadder revenue.

(c) Expand Group Training Organisation nationally

Ashley Services was accredited as a Group Training Organisation (GTO) in Western Australia in May 2014. This accreditation allows Ashley Services to employ and train apprentices. GTOs are beneficial to small and specialised employers who might not have the capacity to employ an apprentice or trainee for the full period of a training contract and as such rely on GTOs to take care of wages and employment records, leaving the employer free to run their business. Ashley Services believes this accreditation will create significant opportunities in Western Australia and create strong growth potential in the near future.

Industry and Business Overview

Ashley Services has similar accreditation in Queensland and has submitted applications for GTO accreditation in Victoria and New South Wales.

Revenue associated with Ashley Services' GTO in Western Australia has not been included in the financial forecasts.

(d) Pursue new industry sectors

Ashley Services' Labour Hire business is focused on identifying and pursuing new industry sectors. For example, the recent Western Australian GTO accreditation will enable Ashley Services to focus on industries such as the heavy maintenance and construction industries. The recent Concept acquisition also supports the expansion into these industries.

(e) Tender pipeline

Ashley Services continually seeks to grow demand for its services from new clients via tender invitation. The tender pipeline for Labour Hire is strong, with multiple opportunities at various stages of advancement. Potential revenue from new (as opposed to existing) clients has not been incorporated as part of the forecast financial information.

(2) Growth by acquisitions

The labour hire industry is highly fragmented. Ashley Services will continue to investigate potential value-adding acquisitions to enter new markets, drive growth and expand scale and geographical reach. Labour Hire targets acquisitions that justify investment on a standalone basis but also drive synergies via the provision of services from Training to the target company and its client base. These acquisitions will therefore create platforms for new industry growth in both Labour Hire and Training.

Ashley Services has a proven track record of successful integration of labour hire businesses it has acquired and intends to continue to execute this strategy.

2.7 Board Of Directors And Senior Management

2.7.1 Current Directors



Non-executive Chairman

Peter Turner, BSc (Melbourne), MBA (RMIT)

Peter was appointed to the Board on 21 July 2014. Before joining Ashley Services, Peter worked in the biopharmaceutical industry for over 40 years. Peter has held a number of senior positions within CSL Limited, including serving as Chief Operating Officer and Executive Director. Peter was the founding President of CSL Behring, purchased from Aventis in 2004. Between 2000 and 2011, Peter was based in Europe and the United States and was responsible for the integration and performance of several international businesses acquired by CSL. During his tenure, overseas sales grew from \$140 million in 2000 to \$3.4 billion in 2011. Peter currently sits on the

boards of Virtus Health Limited and NPS MedicineWise as a Non-executive Director. Peter is a graduate member of the Australian Institute of Company Directors.

Peter will also act as chairman of the Remuneration Committee and a member of the Audit Committee.



Managing Director

Ross Shrimpton, BComm (UNSW), CA

Ross is a founder and the Managing Director of Ashley Services. Ross has been a director of the Company since July 1999 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 18 years of relevant experience in the labour hire and training industries.

Ross will continue to be the Managing Director of Ashley Services, with his prime responsibility centred on the overall performance and management of Ashley Services, as well as strategic direction, liaison with key executives, finance and administration.



Non-executive Director

Simon Crean, BEc (Monash), LLB (Monash)

Simon was appointed to the Board on 21 July 2014. Prior to joining Ashley Services, Simon was most recently a Member of Federal Parliament and is a former leader of the Australian Labor Party. Simon has held various ministerial portfolios, including Education, Training, Employment, Workplace Relations, Primary Industries, Trade and Regional Development.

Simon has served on the boards of Qantas and the Australian Industry Development Corporation. Between 1985 and 1990, Simon was President of the Australian Council of Trade Unions and has also served as General Secretary of the Federated Storemen and Packers Union of Australia.

Simon is a life member of the Australian Labor Party and the National Union of Workers, and an Adjunct Professor of Deakin University.

Simon is currently a member of the Monash University Council and a non-executive director of Linfox International Group. Simon has been awarded a Doctor of Letters by Deakin University.

Simon will be a member of the Remuneration Committee, Nomination Committee and the Audit and Risk Committee.



Executive Director and interim Chief Financial Officer

Vincent Fayad, BBus (UTS), CA

Vincent (Vince) was appointed to the Board on 21 July 2014.

Vince is a director of PKF Lawler Corporate Finance Pty Limited and has over 30 years' experience in Chartered Accountancy. Vince holds a Bachelor of Business and is a registered company auditor and tax agent. Vince has advised a broad range of listed and private companies on a number of mergers and acquisitions and undertaken a number of transactions for companies in the recruitment sector, including Initial Public Offers, independent expert reports, valuations and purchase price allocations.

Vince has been an adviser to Ashley Services since 1999. Vince is currently the interim Chief Financial Officer of Ashley Services.

Vince has a strong background in accounting and finance as well as strategic and corporate issues.

He is currently the non-executive Chairman of BioProspect Limited and a Non-executive Director of Esperance Minerals Limited. He is also the company secretary of Astro Resources NL.

Vince will also be the chairman of the Audit and Risk Management Committee.



Alternate Director and General Manager, Recruitment

Marc Shrimpton

Marc joined Ashley Services in 2000.

Marc is a member of the Australian Institute of Company Directors. Marc also holds a Diploma of Management and Leadership and Certificate IV in Workplace Training and Assessment. He is currently undertaking the Owner/President Management program at Harvard Business School, Boston.

Marc has been the key driver of Blackadder, a professional labour hire and recruitment services business since acquiring the business in 2007. Marc's role with Blackadder has been as the Managing Director. As the business has developed, Marc's role has become more strategic and he has been actively involved in growing the national footprint of the business.

Prior to the acquisition of Blackadder, Marc held a number of positions within Ashley Services, including state manager roles in the Labour Hire and Training business and has over 14 years relevant industry experience.

Marc is actively involved in the recruitment of senior people across Ashley Services and is a key member of the management team.

Industry and Business Overview

2.7.2 Management



Managing Director

Ross Shrimpton, BComm (UNSW), CA

See section 2.7.1



General Manager, Training

Brett O'Connor

Brett is a certified Six Sigma Master Black Belt, which was achieved through international business transformation programs while employed at Qantas. This is complemented with qualifications across business, project management, engineering and business improvement.

Brett has over 25 years' experience in a broad range of industries primarily focused on aeronautical engineering, business transformation / improvement, training and project management.

Brett has been the General Manager of Ashley Services' Training business for approximately five years. Prior to that, Brett held a range of senior management roles within Qantas Engineering. Brett has over 10 years of relevant experience in training.



Director, ASG Integracom Company

Carl Holmes

Carl is the founder and director of Integracom.

In the last seven years, Carl has taken Integracom from a small RTO operating out of Western Australia to a national RTO that operates seven dedicated training centres.

Carl is a qualified electrician, a security and network technician as well as a qualified project manager.

He comes from a strong technical and sales background and has worked on projects ranging from building oil platforms for the North Sea to developing the citywide CCTV network in Perth.

Prior to establishing Integracom, Carl spent six years as a state manager for one of the biggest telecommunications companies in Australia.

Carl has an extensive knowledge of local markets and current technology trends which he has used to create a national brand that has a strong reputation.

Carl will be the director of the national Ashley Services Integracom business, as well as acting as an executive of Ashley Services' Western Australia Training business.



General Manager, Labour Hire

Paul Rixon

Paul joined Ashley Services (Action Workforce) as part of the Advance Recruitments acquisition in 2011 and oversees and manages the Labour Hire business of Ashley Services.

Paul has a long history in the labour hire and recruitment industries and has held senior positions for over 26 years, gaining a reputation for his ability to substantially grow businesses whilst maintaining profitability above industry standard.

Since joining Ashley Services, Paul has been able to establish a stable team of motivated industry experts.



Alternate Director and General Manager, Recruitment

Marc Shrimpton

See section 2.7.1



Executive Director and interim Chief Financial Officer

Vincent Fayad, BBus (UTS), CA

See section 2.7.1



General Manager, Finance

Greg Jenkins, BComm (UNSW), CA

Greg is a qualified Chartered Accountant and holds a Bachelor of Commerce from The University of New South Wales.

Greg has over 30 years' experience in a range of industries including printing, telecommunications, construction, equipment hire and manufacturing.

Greg has been with Ashley Services since 2012. Prior to that, Greg was the Financial Controller for a fit-out company, and he has previously held a range of positions including

Company Secretary, Financial Controller and Chief Financial Officer of listed, multi-national and private companies.

Greg adopts a strategic and commercial approach to his role, working closely and proactively with other senior managers to develop the business.



General Manager, Strategy and Business Development

John Knights, BComm LLB(Hons) (Melbourne)

John joined Ashley Services in June 2012. John holds a Bachelor of Commerce and a Bachelor of Laws from The University of Melbourne.

John has over 20 years' experience in investment banking and equity capital markets, at Macquarie Bank and Evans and Partners. John is a consultant to MAP Capital Advisors.

John's role with Ashley Services' includes identification and attainment of new customers, new business segments and acquisitions for both the Labour Hire and Training businesses as well as overall Group strategy.

Industry and Business Overview



Company Secretary

Ron Hollands, BBus (UTS), CA, MBA (MGSM), GIA

Ron is a qualified Chartered Accountant and holds a Bachelor of Business from the 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.

Ron currently acts on a part time basis as the Chief Financial Officer for a social media and research business and an outbound travel group, and is the Company Secretary for Real Energy Corporation Limited. He was recently the Chief Financial Officer and Company Secretary for Wentworth Holdings Limited, now known as Thorney Opportunities Limited.

2.7.3 Directors' Interests

Set out below are details of Directors' relevant interests in securities of the Company (held directly or indirectly) as at the date of this Prospectus:

Figure 40: Directors' interests in securities of the Company

Directors	Ordinary Shares	Performance Rights
Ross Shrimpton – Managing Director ¹	87.2 million	Nil
Peter Turner – Non-executive Chairman	Nil	Nil
Simon Crean – Non-executive Director	Nil	Nil
Vincent Fayad – Executive Director and interim Chief Financial Officer	Nil	Nil
Marc Shrimpton – Alternate Director and General Manager, Recruitment	3.9 million	Nil

¹ Includes those shares held by the Shrimpton Family.

The Directors may also participate in the Offer pursuant to this Prospectus.

Further details of Directors' interests and remuneration are provided in section 8.6 of this Prospectus.

3



Financial Information

Financial Information

3.1 Introduction

The financial information for Ashley Services (**Financial Information**) contained in this section 3 includes:

Historical Financial Information	Section
Pro forma consolidated historical income statements for FY2011, FY2012 and FY2013 and the six months ended 31 December 2013 (Pro forma Historical Income Statements)	Section 3.3
A reconciliation of the Statutory Historical Income Statements to the Pro forma Historical Income Statements	Section 3.3.1
Pro forma consolidated historical balance sheet as at 31 December 2013 (Pro forma Historical Balance Sheet)	Section 3.4
Pro forma consolidated historical cash flow statements for FY2011, FY2012 and FY2013 and the six months to 31 December 2013 (Pro forma Historical Cash Flow Statements)	Section 3.9

Historical Financial Information	Section
Pro forma consolidated forecast income statements for FY2014 and FY2015F (Pro forma Forecast Income Statements)	Section 3.3
Statutory consolidated forecast income statements for FY2014 and FY2015F (Statutory Forecast Income Statements) including a reconciliation to the Pro forma Forecast Income Statements	Section 3.3 and 3.3.2
Pro forma consolidated forecast cash flow statements for FY2014 and FY2015F (Pro forma Forecast Cash Flow Statements)	Section 3.9
Statutory consolidated forecast cash flow statements for FY2014 and FY2015F (Statutory Forecast Cash Flow Statements)	Section 3.9

All amounts presented in this section 3 are presented in Australian dollars unless otherwise noted and are rounded to the nearest \$0.1 million.

3.2 Basis of preparation and presentation of Financial Information

The Financial Information has been reviewed and reported on by Grant Thornton Corporate Finance Pty Limited (**Grant Thornton**) as set out in the Investigating Accountant's Report (**IAR**) in section 4. Investors should note the scope and limitations of the IAR (refer to section 4).

The Financial Information included in this section 3 has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards adopted by the Australian Accounting Standards Board and the Corporations Act. The Financial Information is presented in an abbreviated form insofar as it does not include all of the disclosures, statements or comparative information as required by Australian Accounting Standards as applicable to annual financial reports prepared in accordance with the Corporations Act. The key accounting policies of Ashley Services relevant to the Financial Information are set out in the Summary of Key Accounting Policies.

(1) Basis of Historical Financial Information

The Statutory Historical Income Statements have been derived from the following information:

- Ashley Services Group Pty Ltd (formerly known as ECA Group Pty Ltd), including its controlled entities: the audited consolidated financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, and the reviewed consolidated financial statements for the six months ended 31 December 2013;
- ADV Services Pty Ltd (formerly known as Ashley Services Group Pty Ltd), including its controlled entities: the unaudited consolidated financial statements for the year ended 30 June 2011, the audited consolidated financial statements for the years ended 30 June 2012 and 30 June 2013, and the reviewed consolidated financial statements for the six months ended 31 December 2013;
- Ashley Institute Holdings Pty Ltd, including its controlled entities: the unaudited consolidated financial statements for the year ended 30 June 2011, the audited consolidated financial statements for the years ended 30 June 2012 and 30 June 2013, and the reviewed consolidated financial statements for the six months ended 31 December 2013;
- TBRC Holdings Pty Ltd, including its controlled entities: the unaudited consolidated financial statements for the year ended 30 June 2011, the audited consolidated financial statements for the years ended 30 June 2012 and 30 June 2013, and the reviewed consolidated financial statements for the six months ended 31 December 2013;

- Tracmin Pty Ltd, including its controlled entities: the audited consolidated financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013, and the unaudited consolidated financial statements for the six months ended 31 December 2013; and
- Australian Institute of Vocational Development Pty Ltd, including its controlled entities: the unaudited consolidated financial statements for the year ended 30 June 2011, the audited consolidated financial statements for the years ended 30 June 2012 and 30 June 2013, and the unaudited consolidated financial statements for the six months ended 31 December 2013.

Together, the companies referred to above are herein referred to as the **ASG Companies**.

Where indicated above, the consolidated statutory financial statements for the above entities for FY2011, FY2012 and FY2013 were audited by Trood Pratt Audit and Assurance Services. Where indicated above, the consolidated statutory financial statements for the above entities for the six months to 31 December 2013 were reviewed by Trood Pratt Audit and Assurance Services.

On 1 July 2014, Ashley Services Group Limited became the sole shareholder of each of the other companies noted above via a scrip-for-scrip transaction (**ASG Consolidation**). Prior to 1 July 2014, the shareholders of the ASG Companies were part of the same family group (i.e. all of the ASG Companies were under common control) and all operated under the “Ashley Services Group” banner. In preparing the Financial Information, including the Statutory Historical Income Statements, the ASG Companies have been treated as if they all formed part of the same consolidated group for financial reporting purposes. The ASG Consolidation does not meet the requirements of a “business combination” as set out in AASB 3 *Business Combinations* and accordingly, no additional intangible assets (including any additional goodwill) have been recognised upon completion of the restructure.

On 16 May 2014, Ashley Services acquired 100% of Concept for part cash and the balance in deferred consideration.

As outlined in section 7.2, Ashley Services entered into a conditional contract to acquire 100% of Integracom for cash, Ashley Services shares and conditional deferred consideration. Concept and Integracom have been included in the Pro forma Historical Income Statements and Pro forma Historical Balance Sheet, as if they were owned by Ashley Services.

The Pro forma Historical Income Statements for FY2011, FY2012, FY2013 and the six months to 31 December 2013 and Pro forma Historical Balance Sheet as at 31 December 2013 have been derived from the following:

- the statutory income statements of the ASG Companies;
- financial statements of Integracom reviewed by Deloitte; and
- the unaudited financial statements of Concept.

In addition, the Pro forma Historical Balance Sheet has been adjusted to take into account the following:

- the accounting impacts resulting from the acquisition of Concept and Integracom, on the basis that they were acquired on 31 December 2013, including the recognition of identifiable intangibles and goodwill on acquisition;
- the impact of the Offer; and
- the payment of pre-IPO dividends payable to and settlement of loans with the Shrimpton Family and Marc Shrimpton.

The Pro forma Historical Income Statements do not include any adjustments to take into account post-IPO corporate costs such as ASX listing fees, share registry costs, Board member expenses etc. Such costs have been taken up in the Pro forma Forecast Income Statement for FY2015F.

(2) Basis of Forecast Financial Information

The Forecast Financial Information has been prepared by the Directors based on an assessment of present economic and operating conditions, and on a number of best estimate assumptions regarding future events, to the best of their knowledge as at the date of this Prospectus. These assumptions are set out in further detail in sections 3.11.1 and 3.11.2.

Forecast financial information for FY2014 is based on 10 months actual results to 30 April 2014 and two months forecast results to 30 June 2014.

This information is designed to assist investors in assessing the reasonableness and the likelihood of the assumptions occurring, and is not intended to be a representation that the assumption will occur.

The Directors believe that the Forecast Financial Information has been prepared with due care and attention, and consider all best estimate assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus. However, this information is not fact and investors are cautioned not to place undue reliance on the Forecast Financial Information.

Investors should be aware that the timing of actual events and the magnitude of their impact might differ from that assumed in preparing the Forecast Financial Information and that this may have a material positive or negative impact on Ashley Services'

Financial Information

actual financial performance and/or financial position. Accordingly, neither Ashley Services nor any other person can give investors any assurance that the outcomes discussed in the Forecast Financial Information will eventuate. In addition investors should be aware that historical financial performance is not a guide for future financial performance.

The Forecast Financial Information should be considered in conjunction with the assumptions set out in sections 3.11.1 and 3.11.2, the sensitivities set out in section 3.12, the risk factors as set out in section 5 and other information contained in this Prospectus.

3.3 Pro Forma Historical and Forecast Income Statements

Table 1 below sets out the Pro forma Historical Income Statements for FY2011, FY2012 and FY2013 and the six months ended 31 December 2013, and the Pro forma Forecast Income Statements for FY2014 and FY2015F:

Table 1: Pro forma Historical and Forecast Income Statements

\$ Millions	Note	Pro forma Historical ¹				Pro forma Forecast ²		Statutory Forecast ²	
		FY2011	FY2012	FY2013	1HFY14	FY2014F	FY2015F	FY2014F	FY2015F
Revenue	3	137.0	162.4	176.0	145.4	285.1	319.5	248.6	316.5
Cost of Sales		(108.6)	(131.0)	(142.4)	(121.9)	(232.9)	(255.5)	(212.8)	(255.3)
Gross Profit		28.4	31.4	33.7	23.5	52.2	64.1	35.8	61.2
Other Revenue		0.2	0.8	0.3	0.1	0.1	-	-	-
Administrative Expenses		(0.8)	(0.9)	(0.9)	(0.6)	(1.1)	(1.0)	(0.8)	(1.0)
Marketing Expenses		(0.6)	(0.5)	(0.4)	(0.2)	(0.4)	(0.5)	(0.4)	(0.4)
Occupancy Expenses		(1.3)	(1.4)	(1.3)	(0.9)	(2.0)	(2.2)	(1.4)	(2.1)
Other Expenses		(13.5)	(17.0)	(18.4)	(12.4)	(26.0)	(29.4)	(19.7)	(32.3)
Total Expenses		(16.2)	(19.7)	(21.0)	(14.1)	(29.5)	(33.1)	(22.3)	(35.9)
EBITDA	4	12.5	12.5	13.0	9.5	22.8	31.0	13.5	25.4
Depreciation & Amortisation	5	(0.4)	(0.4)	(0.5)	(0.3)	(0.9)	(1.3)	(0.8)	(1.2)
EBITA	6	12.1	12.0	12.4	9.2	21.9	29.7	12.8	24.1
Amortisation	7	-	-	-	-	-	(0.7)	-	(0.6)
EBIT		12.1	12.0	12.4	9.2	21.8	29.0	12.7	23.5
Net Interest Income / (Expense)		(0.2)	(0.1)	(0.4)	(0.2)	(0.4)	(0.7)	(0.3)	(1.0)
Net Profit Before Tax (NPBT)		11.9	11.9	12.0	9.0	21.4	28.3	12.4	22.5
Income Tax Expense		(3.6)	(3.6)	(3.6)	(2.7)	(6.4)	(8.5)	(3.7)	(6.8)
Net Profit After Tax (NPAT)		8.3	8.3	8.4	6.3	15.0	19.8	8.7	15.8
Net Profit After Tax But Before Amortisation (NPATA)	6	8.3	8.3	8.4	6.3	15.0	20.5	8.7	16.4

Note 1: The Pro forma Historical Income Statements are reconciled to the Statutory Historical Income Statements in section 3.3.1.

Note 2: The Pro forma Forecast Income Statements are reconciled to the Statutory Forecast Income Statements in section 3.3.2.

Note 3: Refer to section 3.10 for a description of Ashley Services' revenue streams and business channels.

Note 4: Refer to section 3.3.3 for a detailed breakdown of EBITDA by business channel (i.e. labour hire and recruitment, training and corporate costs).

Note 5: Depreciation and amortisation relates to fixed assets and intangible assets as recorded in the balance sheets of Ashley Services, Concept and Integracom balance sheets. It does not include amortisation relating to intangible assets that are expected to be recognised by Ashley Services in relation to the acquisition of Concept and Integracom as required by AASB 3 – Business Combinations (see Notes 6 and 7).

Note 6: Excludes amortisation relating to intangible assets expected to be recognised by Ashley Services in relation to the acquisition of Concept and Integracom. This amortisation relates to client relationships and course materials.

Note 7: Relates to amortisation of intangible assets expected to be recognised by Ashley Services in relation to the acquisition of Concept and Integracom.

Note 8: Includes costs associated with the ASG Consolidation, the acquisition of Concept and Integracom, and a component of Offer costs to be recognised as an expense (as opposed to being recognised against equity) in accordance with accounting standards.

3.3.1 Pro forma Adjustments to the Statutory Historical Income Statements

Table 2 sets out the adjustments that have been made to the audited Statutory Historical Income Statements:

Table 2: Reconciliation of EBITDA from Statutory to Historical Pro forma

\$ Millions	Note	FY2011	FY2012	FY2013	1HFY14
EBITDA (Statutory)		8.3	10.5	9.2	5.8
EBITDA Impact of Acquisitions	1	2.4	1.5	3.3	3.7
Corporate Costs	2	1.7	0.4	0.3	-
Impairment Losses	3	-	-	0.1	-
Other Non-Recurring Items	4	0.1	0.1	0.1	-
EBITDA (Pro forma)		12.5	12.5	13.0	9.5

Note 1: An adjustment has been made to reflect the EBITDA impact resulting from the Concept and Integracom acquisitions.

Note 2: An adjustment has been made to reflect the market rates of Directors' remuneration in a public company environment net of payments actually made to related parties whose remuneration has been adjusted to market.

Note 3: An adjustment has been made to exclude the impact of impairment losses recognised by Ashley Service during the financial year ended 30 June 2013. These losses related to the impairment of previously recognised goodwill.

Note 4: Adjustments have been made to exclude the impact of other non-recurring items reported in the audited statutory historical income statements of Ashley Services.

3.3.2 Pro forma adjustments to the Statutory Forecast Income Statements

Table 3 below sets out the adjustments that have been made to the Statutory Forecast Income Statements:

Table 3: Reconciliation of EBITDA from Statutory to Pro forma Forecast

\$ Millions	Note	FY2014F	FY2015F
EBITDA (Statutory)		13.5	25.4
EBITDA Impact of Acquisitions	1	8.9	1.8
EBITDA Impact of One-Off Employee Bonuses	2	-	1.9
EBITDA Impact of IPO & Acquisition Costs taken to the Income Statements	3	0.4	1.9
EBITDA (Pro forma)		22.8	31.0

Note 1: An adjustment has been made to reflect the EBITDA impact resulting from the Concept and Integracom acquisitions as though the acquisitions had occurred with effect from 1 July 2014.

Note 2: An adjustment has been made to reflect the EBITDA impact resulting from one-off employee bonuses expected to be paid during FY2015F.

Note 3: An adjustment has been made to reflect the EBITDA impact resulting from the portion of costs associated with the Offer and the Concept and Integracom acquisitions, which have been accounted for in the pro forma forecast income statements. These costs include stamp duty on the acquisitions and professional service fees.

Financial Information

3.3.3 Segment information and key operating metrics

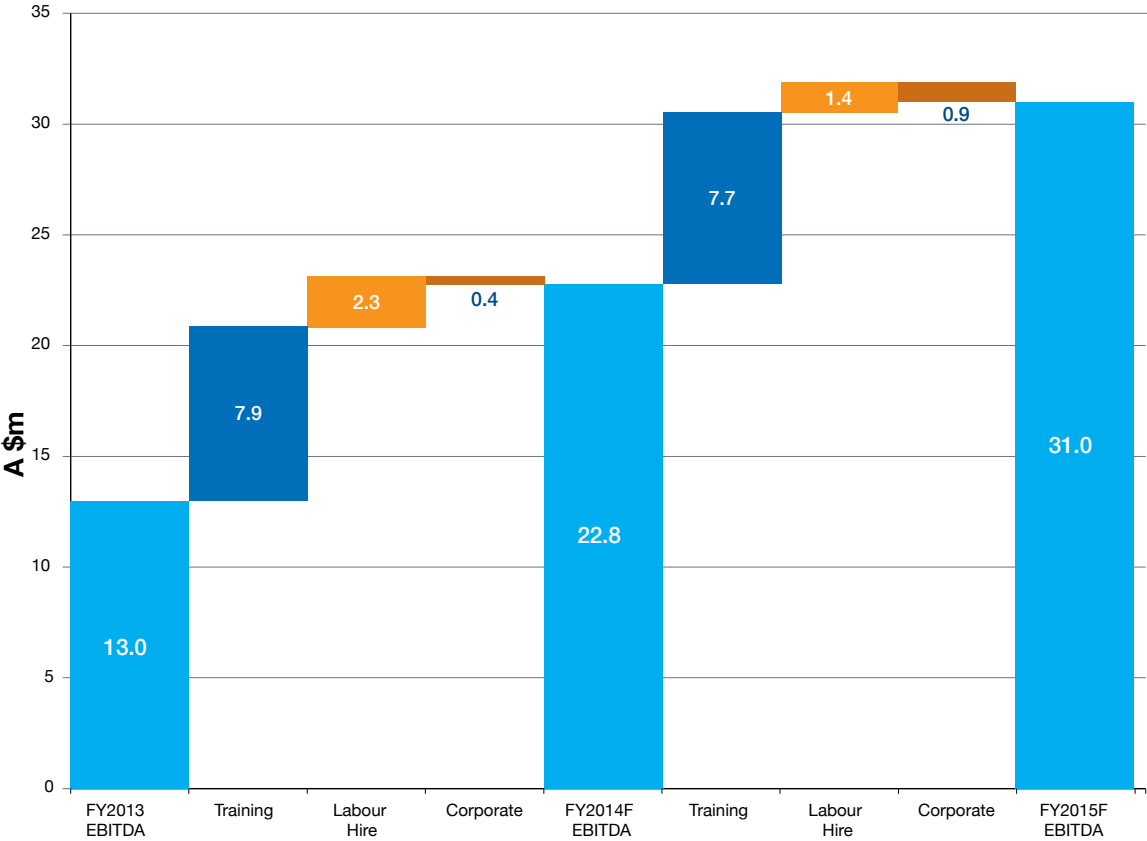
The following table provides a summary of Ashley Services' key historical and forecast segment information and operating metrics relating to the Pro forma Historical and Forecast Income Statements:

Table 4: Key segment information and operating metrics

\$ Millions	Pro forma Historical				Pro forma Forecast		Statutory Forecast	
	FY2011	FY2012	FY2013	1HFY14	FY2014F	FY2015F	FY2014F	FY2015F
Revenue by Business Channel								
Labour Hire	120.8	141.1	151.4	125.5	243.6	264.4	222.0	264.4
Training	16.2	21.3	24.6	19.8	41.5	55.1	26.6	52.1
Total Operating Revenue	137.0	162.4	176.0	145.4	285.1	319.5	248.6	316.5
EBITDA by Business Channel								
Labour Hire	7.5	5.9	5.0	2.3	7.3	8.7	6.2	8.7
Training	6.0	7.7	8.9	7.7	16.8	24.5	8.9	22.7
Corporate	(1.0)	(1.2)	(0.9)	(0.5)	(1.3)	(2.2)	(1.6)	(6.0)
Total EBITDA	12.5	12.5	13.0	9.5	22.8	31.0	13.5	25.4
Group Statistics								
Revenue Growth	n/a	18.5%	8.4%		61.9%	12.1%	46.2%	27.3%
Gross Profit Margin	20.8%	19.3%	19.1%	16.1%	18.3%	20.0%	14.4%	19.3%
EBITDA Margin	9.1%	7.7%	7.4%	6.5%	8.0%	9.7%	5.4%	8.0%
EBITDA Growth	n/a	-0.3%	3.9%		75.9%	36.0%	24.5%	87.6%
EBITA Margin	8.8%	7.4%	7.1%	6.3%	7.7%	9.3%	5.1%	7.6%
EBITA Growth	n/a	-0.4%	3.2%		76.0%	36.0%	31.4%	89.0%
EBIT Margin	8.8%	7.4%	7.1%	6.3%	7.7%	9.1%	5.1%	7.4%
EBIT Growth	n/a	-0.4%	3.2%		75.6%	33.1%	31.2%	84.7%
NPAT Margin	6.1%	5.1%	4.8%	4.3%	5.2%	6.2%	3.5%	5.0%
NPAT Growth	n/a	0.3%	1.1%		77.4%	32.5%	25.1%	81.4%
Labour Hire Statistic								
Revenue Growth	n/a	16.8%	7.3%		60.9%	8.6%	46.6%	19.1%
EBITDA Margin	6.2%	4.2%	3.3%	1.8%	3.0%	3.3%	2.8%	3.3%
EBITDA Growth	n/a	-21.7%	-15.9%		47.1%	18.6%	24.8%	39.7%
Total Hours Charged ('000)	2,809	3,368	3,569		6,047	6,601		
Average Hourly Rate	\$43	\$42	\$42		\$40	\$40		
Training Statistics								
Revenue Growth	n/a	31.8%	15.4%		68.4%	32.9%	43.0%	95.9%
EBITDA Margin	36.8%	36.2%	36.0%	39.0%	40.4%	44.4%	33.6%	43.7%
EBITDA Growth	n/a	29.6%	14.9%		88.9%	46.2%	32.0%	154.2%
Total Enrolments	7,064	9,276	12,103		19,663	23,115		
Average Fee Income	\$2,291	\$2,301	\$2,036		\$2,110	\$2,385		
Corporate Statistics								
Corporate Expenses	1.0	1.2	0.9	0.5	1.3	2.2	1.6	6.0
Growth in Corporate Expenses	n/a	15.4%	-23.6%		44.9%	69.7%	84.1%	270.9%

Further details regarding the historical and forecast movements detailed above are set out in sections 3.10 and 3.11.

Table 5: EBITDA bridge FY2013 to FY2015F



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3.4 Pro Forma Historical Balance Sheet

Table 6 below sets out the Pro forma Historical Balance Sheet as at 31 December 2013 including the statutory consolidated historical balance sheet of Ashley Services as at 31 December 2013 and details of pro forma adjustments which have been made:

Table 6: Pro forma Historical Balance Sheet as at 31 December 2013

\$ Millions	Note	As at 31 December 2013				Ashley Services (Pro forma)
		Ashley Services (Statutory) ¹	Impact of the Offer ²	Impact of Acquisitions ³	Other ⁴	
Current Assets						
Cash & Cash Equivalents		0.2	50.4	(32.0)	–	18.6
Trade & Other Receivables		32.0	–	7.4	–	39.4
Other Current Assets		0.6	–	–	–	0.6
Total Current Assets		32.8	50.4	(24.5)	–	58.7
Non-Current Assets						
Trade & Other Receivables		7.4	(7.4)	–	–	–
Property, Plant & Equipment		2.4	–	0.8	–	3.2
Deferred Tax Assets		3.6	2.0	0.1	–	5.7
Intangible Assets		16.5	–	57.6	–	74.1
Total Non-Current Assets		29.8	(5.4)	58.3	–	82.7
TOTAL ASSETS		62.7	45.1	33.8	–	141.6
Current Liabilities						
Trade & Other Payables		21.1	–	3.6	0.8	25.5
Borrowings		2.8	–	11.0	–	13.8
Current Tax Liabilities		2.5	–	0.3	–	2.8
Provisions		0.8	–	0.6	–	1.4
Total Current Liabilities		27.2	–	15.5	0.8	43.5
Non-Current Liabilities						
Trade & Other Payables		3.9	(3.9)	–	–	–
Borrowings		–	–	9.0	–	9.0
Deferred Tax Liabilities		0.7	–	–	–	0.7
Provisions		0.3	–	–	–	0.3
Total Non-Current Liabilities		4.9	(3.9)	9.0	–	10.1
TOTAL LIABILITIES		32.1	(3.9)	24.5	0.8	53.5
NET ASSETS		30.5	49.0	9.3	(0.8)	88.0
Equity						
Issued Capital	5	57.7	83.6	10.0	1.1	152.4
Reserves		(57.7)	–	–	–	(57.7)
Retained Earnings		30.5	(34.7)	(0.7)	(1.9)	(6.8)
TOTAL EQUITY		30.5	49.0	9.3	(0.8)	88.0

Note 1: The statutory historical balance sheet of Ashley Services as at 31 December 2013 has been prepared on the basis that the ASG Consolidation was in place as at 31 December 2013 and therefore, ASG was a consolidated group for financial reporting purposes. The restructure of Ashley Services entities prior to the Offer has been treated as a common control combination, which means that underlying values of each entity within ASG retain their original values.

Note 2: The following pro forma adjustments have been made in relation to the Offer:

- subsequent to 31 December 2013 but prior to the date of this Prospectus, Ashley Services and its Group companies paid out fully franked dividends totalling \$29.8 million. These dividends were partly applied to extinguish loans to/from related parties and entities with the balance (being \$26.3 million as at 31 December 2013) paid directly as cash. In addition, it is proposed that a further fully franked dividend of \$3.4 million is to be paid in respect of profits for the period from 1 January 2014 to 31 July 2014. Accordingly, the total amount of dividends to be paid to the Shrimpton Family is \$33.2 million; and
- the issue of 59.5 million new shares at \$1.66 per share (raising a total of \$98.7 million), in Ashley Services, less costs of the Offer estimated to be \$6.3 million of which \$4.6 million has been taken up against equity with the balance taken to retained earnings). Costs of the Offer taken to equity have been partially offset by a deferred tax asset in relation to the future deductibility of said costs.

Note 3: The following pro forma adjustments have been made in relation to the acquisition of Concept and Integracom:

- on 16 May 2014, Ashley Services acquired 100% of the issued shares of Concept. The acquisition of Concept has been treated as a business combination in accordance with AASB 3 Business Combinations.
The consideration payable by Ashley Services with respect to the acquisition of Concept comprised cash of \$4.0 million and deferred consideration of \$0.45 million which is payable over two years based on certain performance criteria being met and which has been assessed as having a present value of \$0.4 million. The difference between the fair value of the net assets of Concept and the consideration paid by Ashley Services has been recorded as goodwill; and
- the acquisition of Integracom has been treated as a business combination in accordance with AASB 3 Business Combinations.
The assets and liabilities of Integracom and Concept (including intangible assets not previously recognised) have been recognised at fair estimated value. The fair value of intangible assets (excluding goodwill) has been estimated on a provisional basis in accordance with paragraph 45 of AASB 3.
The consideration payable by Ashley Services with respect to the acquisition of Integracom comprises cash of \$31.8 million (inclusive of any loans from the vendor), Shares of \$10.0 million (being 6 million new shares in Ashley Services at \$1.66 per share), plus profits for the period from 1 July 2014 up to the date of completion. In addition, a deferred consideration component amounting to \$15 million which is payable over three years based on certain performance criteria being met and which has been assessed as having a present value of \$13.4 million. The difference between the fair value of the net tangible assets of Integracom and the consideration paid by Ashley Services has been recorded as certain identifiable intangible assets and goodwill.

Note 4: A pro forma adjustment has been taken up to reflect one-off management and staff bonuses to be paid upon the successful listing of Ashley Services amounting to approximately \$1.9 million. The net bonuses payable (i.e. net of pay as you go withholding tax) will be settled via the issue of shares in Ashley Services.

Note 5: Upon listing on the ASX, Ashley Services will have 150 million Shares on issue.

3.5 Indebtedness and capitalisation

Table 7 sets out the indebtedness and capitalisation of Ashley Services Group Limited as at 31 December 2013, before and following completion of the Offer:

Table 7: Net indebtedness and equity before and after completion of the Offer

\$ Millions	Note	As at 31 December 2013	
		Before Completion of the Offer	After Completion of the Offer
Cash		(0.2)	(18.6)
Related-Party Loans Receivable	1	(3.5)	-
Bank Borrowings	2	2.8	9.0
Deferred Consideration Liabilities	3	-	13.8
Net Total Indebtedness		(0.9)	(4.2)
Contributed Equity	4	57.7	152.4
Reserves	5	(57.7)	(57.7)
Retained Earnings	6	30.5	(6.8)
Total Equity		30.5	88.0
Total Indebtedness & Equity		29.6	92.2

Note 1: Relates to the net balance of loans receivable from and payable to the pre-Offer shareholders of Ashley Services, and their related entities.

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Note 2: Existing bank overdrafts, revolving lines of credit and hire purchase liabilities of Ashley Services, Integracom and Concept. Refer to section 3.6 for details of existing banking facilities.

Note 3: Present value of the deferred consideration payable by Ashley Services in relation to the acquisitions of Integracom and Concept.

Note 4: Contributed equity includes costs relating to the Offer estimated to be \$4.6 million which have been offset against equity raised.

Note 5: Reserves relates to the common control reserve recognised upon the pre-IPO restructure of the Ashley Services Group businesses to bring related entities under the Ashley Services corporate structure.

Note 6: Retained earnings after Completion of the Offer reflect the pre-Offer dividend amounting to \$29.8 million, representing the amount of profits up to 31 December 2013. However, the total pre-Offer dividend to be paid to the Shrimpton Family is \$33.2 million, which takes into account all profits up to and including 31 July 2014.

3.6 Description of debt facilities

On the 31 July 2014, ASG entered into new banking facilities with Bankwest. The terms of those facilities are as follows:

- total facilities – \$24 million of which \$15 million is a working capital facility, \$8 million is an acquisition facility and \$1 million for bank guarantees in connection with ASG's business;
- interest rate –
 - for the working capital facility, the Business Loan Reference Rate less a margin of 1.5% per annum;
 - for the acquisition facility, the Bank Bill Swap Rate plus a margin of 1.80% per annum and an additional margin of 0.2% may be charged by Bankwest if the interest period of a loan under this facility is less than 90 days.
- fees – the material fees include:
 - an establishment fee of \$60,000;
 - for the working capital facility, a line fee of 0.8% per annum on the \$15 million commitment;
 - for the acquisition facility, a line fee of 0.8% per annum on the \$8 million commitment; and
 - for the bank guarantee facility, a line fee of 1.00% per annum on the face amount of each bank guarantee issued.
- term of facilities – the outstanding amount under each facility must be repaid 3 years after the initial drawing under the facility. In relation to the bank guarantee facility, if any claim is made under a bank guarantee issued by Bankwest at the request of ASG, ASG must pay the amount of the claim to Bankwest on demand.
- covenants – based on minimum EBITDA, minimum cash, equity, receivables and financial ratios, the usual charges and pledges over the assets, and other covenants that are customary for facilities of this nature.

3.7 Liquidity and capital resources

Following Completion of the Offer, Ashley Services will have, on a pro forma basis, cash of \$18.6 million arising from the Offer, its \$24 million of debt facilities, as described in section 3.6 and section 7.3 over and above cash flows from operations. Ashley Services Group expects that it will have sufficient cash to meet its operational requirements and other business needs, (including the payment of dividends) to meet its stated objectives during FY2014F and FY2015 from the above facilities. As Ashley Services revenues are in Australian dollars and all business operations are conducted in Australia, there is no exposure to foreign currency risk.

3.8 Contractual obligations and commitments

The Company has the following obligations and commitments:

Ashley Services has a number of commitments in relation to its rental operating leases, as summarised as follows:

Table 8: Operating rental lease commitments

	Less than 1 year \$ Millions	1 to 2 year \$ Millions	2 to 5 years \$ Millions	Total ¹ \$ Millions
Commitments	\$1.3	\$1.5	Nil	\$2.8

¹ Calculated from 1 July 2014.

- as set out in sections 3.4 and 7.2, there is an earn out liability of \$15 million payable to the Integracom Vendor. This payment is payable over a three year period and is subject to the telecommunication and security business of Integracom achieving certain milestones. As at the date of this Prospectus, it is expected that all of the \$15 million will be payable. Funding of this liability will be undertaken by 50% in Shares and the balance out of existing profits, assuming that the Integracom Vendor elects to receive a cash payment and not the full earn out in Shares;

- as set out in section 3.4, there is a deferred amount of \$450,000 due to the vendor of Concept. This payment is payable over a two year period and is subject to certain performance milestones being met. As at the date of this Prospectus, it is expected that all of the \$450,000 will be payable. Funding of this liability will be settled by cash payments and will be undertaken out of retained profits; and
- the Facilities provided by Bankwest described in section 3.6 and 7.3 have a three year term and have been structured as interest only loans. Accordingly, in the event that the Facilities are drawn down and no event of default occurs, the principal amount will be repaid three years after the initial drawdown. In relation to the bank guarantee facility, if any claim is made under a bank guarantee issued by Bankwest at the request of ASG, ASG must pay the amount of the claim to Bankwest on demand. If any bank guarantee remains outstanding on the repayment date of the Facilities, ASG must procure the return of the bank guarantee or provide Bankwest with full cash cover for the face amount of the outstanding bank guarantee.

3.9 Pro Forma Historical and Forecast Cash Flow Statements

Ashley Services and Integracom have a track record of cash flow generation, converting a significant portion of EBITDA to operating free cash flow. Table 9 below set out the Pro forma Historical Cash Flow Statements, the Pro forma Forecast Income Statements and the Statutory Forecast Income Statements:

Table 9: Pro-Forma Historical and Forecast Cashflow Statements

\$ Millions	Note	Pro forma Historical				Pro forma Forecast		Statutory Forecast	
		FY2011	FY2012	FY2013	1HFY14	FY2014F	FY2015F	FY2014F	FY2015F
EBITDA		12.5	12.5	13.0	9.5	22.8	31.0	13.5	25.4
Changes in Working Capital		1.8	(2.0)	0.7	(5.2)	(6.5)	(2.1)	(7.0)	(2.9)
Non-Cash Items Included in EBITDA		-	-	-	-	-	-	-	-
Operating Cash Flows Before CAPEX		14.3	10.4	13.7	4.3	16.3	28.9	6.5	22.5
Capitalised Course Material Costs and other Payments for Property, Plant & Equipment		(0.4)	(0.8)	(1.6)	(0.9)	(1.5)	(1.2)	(1.3)	(1.2)
Total Capital Expenditure		(0.4)	(0.8)	(1.6)	(0.9)	(1.5)	(1.2)	(1.3)	(1.2)
Operating Cash Flows After CAPEX		13.9	9.6	12.1	3.4	14.7	27.7	5.3	21.3
Net Interest Received / (Paid)		(0.2)	(0.1)	(0.3)	(0.2)	(0.4)	(0.7)	(0.3)	(1.0)
Income Tax Paid		(3.3)	(3.1)	(4.4)	(2.6)	(6.1)	(7.6)	(3.9)	(6.4)
Operating Cash Flows Before Dividends		10.4	6.4	7.5	0.6	8.2	19.4	1.0	13.9
Cash Conversion Ratio	1	111.3%	76.9%	93.4%	35.6%	64.7%	89.5%	39.0%	83.9%
Dividends Paid	2						(13.3)	(2.5)	(13.7)
Operating Cash Flow After Dividends							6.1	(1.5)	0.2

Note 1: Represents operating free cash flow after capital expenditure as a percentage of EBITDA.

Note 2: The Implied FY2015 Pro forma forecast dividend represents the indicative dividends to be paid in accordance with the stated dividend policy set out in section 3.13. The FY2015 Pro forma dividend has been calculated assuming a dividend payout ratio of 65% of FY2015 Pro forma NPATA and the whole of that dividend is paid in FY2015.

The Statutory dividend for FY2015 is made up as follows:

- actual dividends to be paid to Existing Shareholders with respect to retained profits up to the date of Settlement of the Offer of \$10.3 million; plus
- 65% of Statutory NPATA for the period from listing to 31 December 2014, equal to \$3.4 million. This dividend is forecast to be declared and paid to Shareholders in approximately March 2015. Refer to section 3.13 for further details on dividends.

The cash conversion ratio is sensitive to the cycle of the Ashley Services business, in particular, the labour hire and training revenues. Additionally, given that most of the expenses of Ashley Services are labour-related costs, there is a relatively minor impact arising from trade creditors and other liabilities.

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(1) Pro forma Adjustment to Statutory Cash Flows

Table 10 below sets out the adjustments that have been made to the Statutory Operating Cash Flows and the Pro Forma Operating Cash Flows:

Table 10: Reconciliation of Cash flows after CAPEX – Statutory to Pro forma

In AUD Millions	Note	Pro forma Historical			Pro forma Forecast		
		FY2011	FY2012	FY2013	1HFY14	FY2014F	FY2015F
Statutory Operating Cash Flows After CAPEX		10.7	7.3	9.7	(0.2)	5.3	21.3
Impact of Acquisitions	1	1.4	1.8	2.0	3.4	9.1	2.6
Corporate Costs	2	1.7	0.4	0.3	0.2	–	–
Other Non-Recurring Items	3	0.1	0.1	0.2	–	–	–
Impact of One-Off Employee Bonuses	4	–	–	–	–	–	1.9
EBITDA Impact of IPO & Acquisition Costs not taken to Equity	5	–	–	–	–	0.3	1.9
Pro-Forma Operating Cash Flows After CAPEX		13.9	9.6	12.1	3.4	14.7	27.7

Note 1: Adjustments have been made to reflect the cash flow impact from the acquisitions of Concept and Integracom.

Note 2: An adjustment has been made to reflect the market rates of Directors' remuneration in a public company environment.

Note 3: Adjustments have been made to exclude the impact of other non-recurring items reported in the statutory historical operating cash flows of Ashley Services.

Note 4: An adjustment has been made to reflect the cash flow impact resulting from one-off employee bonuses expected to be paid during FY2015F.

Note 5: An adjustment has been made to reflect the impact on operating cash flows resulting from the portion of costs associated with the Offer and the Concept and Integracom acquisitions, which have not been capitalised or accounted for in equity.

3.10 Management discussion and analysis of the Historical Financial Information

Below is a discussion of the main factors which affected Ashley Services' operations and relative financial performance in FY2011, FY2012 and FY2013 and the six months to 31 December 2013 and which Ashley Services expects may continue to affect it in the future.

The discussion of these general factors is intended to provide a brief summary only and does not detail all factors that affected Ashley Services' historical operating and financial performance, nor everything which may affect Ashley Services' operations and financial performance in the future.

The ASG Companies have grown as a result of a combination of organic growth and acquisition. Most recently, Ashley Services acquired Concept and has entered into a conditional contract to acquire Integracom. The Concept acquisition was considered to be strategic in terms of the nature of its clients as well as additional scale. The proposed acquisition of Integracom will further expand the Training business in the telecommunications sector as well as consolidating the national footprint of its operation.

3.10.1 Revenue

An overview of the different revenue streams generated by Ashley Services and the key drivers of each revenue stream are set out below:

Training revenue

Ashley Services provides VET offering 97 qualifications delivered via four RTOs.

Training revenue is generated from the delivery of training services under various funding models including fee-for-service, state government funding and Commonwealth Government funding. Training services are provided to the Public and Corporate Markets.

The key drivers of Training revenue are the number of enrolments and revenue per qualification. These two drivers are in turn, dependent on a number of factors including:

- demand for training services from Corporate and Public Market clients;

- the amount of state and Commonwealth government funding available for the VET sector;
- the rate of employee growth and employee turnover within Corporate Market clients;
- Ashley Services' ability to secure new Corporate and Public Market clients;
- the eligibility of employees and/or students for government funding including state and Commonwealth government funding; and
- the average revenue per enrolment which in turn depends on the mix of qualifications delivered and the amount of government funding associated with the qualifications.

Training revenues are recognised as the work is undertaken. To the extent that revenues are received in advance, these are reflected as a liability. Alternatively, where work has been undertaken but not invoiced, an estimated amount of income is recognised as work in progress.

Labour Hire revenue

The Labour Hire business is largely driven from longstanding relationships and client service. Revenues are a function of the number of people on hire and the average hourly rate.

The key drivers of Labour Hire revenue include:

- strong relationships with existing customers;
- ability to service clients;
- a strong candidate database;
- general economic conditions;
- industrial relations environment;
- quality of processes, including safety and occupational standards;
- cross-referrals from Training;
- performance in existing contracts; and
- maintenance of a strong pipeline of potential new business.

3.10.2 Cost of sales and overhead expenses

Training

Cost of sales relating to Training consists of remuneration to directly employed and contractor trainers (including related on-costs). Training materials, equipment and room hire account for the majority of other direct costs.

Overhead expenses relating to Training primarily consists of the salaries and wages (including related on-costs) of administrative and compliance support staff.

Occupancy expenses represent the next largest cost.

Labour Hire

Cost of sales relating to Labour Hire consists predominantly of salaries and wages (including related on-costs) for on-hire workers.

Overhead expenses primarily consist of salaries and wages (including related on-costs) of administrative support staff.

Occupancy expenses represent the next largest cost.

Corporate

These costs comprise mainly of labour and occupancy costs, including directors.

3.10.3 Cash flows and working capital

Ashley Services' working capital comprises current trade and other receivables, and current trade and other payables and provisions. The working capital cycle is driven by the following factors:

Training

- state and Commonwealth government-funded students typically result in average trade receivable days of 30 days;

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- trade receivables days in respect of the provision of training to Corporate Market clients on a fee-for-service basis are dependent on the negotiated trading terms with individual enterprise clients as set out in their client agreements. Typical credit terms are 30 days;
- trainers are paid weekly;
- rents are paid monthly in advance; and
- other expenses are paid 30 days from end of month.

Labour Hire

- customers are invoiced on a weekly basis;
- average trade receivable days are 45 days;
- cost of salaries – salaries are mainly paid on a weekly basis;
- all administrative staff are paid weekly;
- rents are paid monthly in advance; and
- other expenses are paid 30 days from end of month.

CAPEX

CAPEX is typically related to expenditure on training facilities, training equipment, IT requirements and capitalisation of new course material costs. CAPEX is determined on an assessed needs basis.

3.10.4 Pro forma Historical Income Statements: FY2011 vs FY2012

Table 11: Pro forma Historical Income Statements: FY2011 vs FY2012

\$ Millions	Pro forma Historical Results			
	FY2011	FY2012	Change (\$)	Change (%)
Labour Hire & Recruitment	120.8	141.1	20.2	16.8%
Training	16.2	21.3	5.2	31.8%
Other Revenue	0.2	0.8	0.5	248.7%
Total Revenue	137.2	163.2	25.9	18.9%
Cost of Sales	(108.6)	(131.0)	(22.4)	20.7%
Administrative Expenses	(0.8)	(0.9)	(0.1)	8.2%
Marketing Expenses	(0.6)	(0.5)	0.1	-20.5%
Occupancy Expenses	(1.3)	(1.4)	(0.1)	6.7%
Other Expenses	(13.5)	(17.0)	(3.5)	26.0%
Total Expenses	(124.7)	(150.7)	(26.0)	20.8%
EBITDA	12.5	12.5	–	-0.3%
Depreciation & Amortisation	(0.4)	(0.4)	–	0.0%
EBITA	12.1	12.0	–	-0.4%
Amortisation	–	–	–	0.0%
EBIT	12.1	12.0	–	-0.4%
Labour Hire Statistics:				
Total Hours Charged ('000)	2,809	3,368	558	19.9%
Average Hourly Rate	\$43	\$42	\$(1)	-2.6%
Training Statistics:				
Total Enrolments	7,064	9,276	2,212	31.3%
Average Fee Income	\$2,291	\$2,301	\$9	0.4%

Revenue

FY2012 was a period of strong growth which saw revenues increase from \$137.2 million in FY2011 to \$163.2 million in FY2012, an 18.9% increase. This growth was driven by a number of factors which are summarised below:

Training revenue growth

- Training revenue grew due to increased Labour Hire volumes, which drove increased student numbers. Ashley Services' Training benefits from growth achieved by Labour Hire as new and up-skilling on-hire workers require training;
- expansion of the Victorian business as a result of the Victorian Training Guarantee funding, the Victorian Demand Driven Model;
- increase in enrolments in the Victorian Corporate Market due to demand in the automotive industry; and
- Integracom was in a consolidation phase and, as a result, this resulted in a slight decrease in FY2012 revenues by \$0.25 million when compared to those for FY2011.

Labour Hire revenue growth

- in September 2011, Ashley Services acquired the labour hire business, Advance Recruitments. This acquisition contributed an approximate additional \$26.5 million in revenue during FY2012 and was the main driver of revenue growth during FY2012;
- an overall increase in the hours charged partly offset by a small decrease in the average hourly rate charged to the customer; and
- revenues derived by Concept (which was prior to acquisition by Ashley Services), decreased by \$10.3 million from FY2011 to FY2012 or 24.4%. This reduction in revenue was predominantly due to a significant downturn in the demand for labour by two major customers resulting from the closure of numerous sites, and the finalisation of a large rectification project.

Cost of sales and expenses

The significant increase in costs of sales and other expenses in FY2012 was predominantly due to the acquisition of the Advance Recruitments business which accounted for an additional \$23.1 million in costs of sales and \$1.6 million in other expenses during the financial year. Other factors which contributed to increases in costs of sales and other expenses during FY2012 are summarised below:

Training

- volume driven increase (predominantly trainers and training facility costs) consistent with the growth seen in Training revenue; and
- increase in overheads for Training as a result of the increased number of students and requirement for processing such students.

Labour Hire

- volume driven increases (predominantly remuneration for on-hire workers) consistent with the growth seen in Labour Hire revenue in FY2012; and
- the above increases were partially offset by a reduction in cost of sales and other expenses of Concept during FY2012 in the amount of \$9.3 million (representing a decrease of 23.4%). This decrease was predominantly volume driven and is consistent with the reduction in revenue from Concept in FY2012.

EBITDA

EBITDA largely remained unchanged between FY2011 and FY2012 reflecting the matters discussed above.

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3.10.5 Pro forma Historical Income Statements: FY2013 vs FY2012

Table 12: Pro forma Historical Income Statements: FY2013 vs FY2012

\$ Millions	Pro forma Historical Results			
	FY2012	FY2013	Change (\$)	Change (%)
Labour Hire	141.1	151.4	10.3	7.3%
Training	21.3	24.6	3.3	15.4%
Other Revenue	0.8	0.3	(0.5)	-65.3%
Total Revenue	163.2	176.3	13.1	8.0%
Cost of Sales	(131.0)	(142.4)	(11.3)	8.6%
Administrative Expenses	(0.9)	(0.9)	–	–0.8%
Marketing Expenses	(0.5)	(0.4)	0.1	–13.8%
Occupancy Expenses	(1.4)	(1.3)	–	–2.1%
Other Expenses	(17.0)	(18.4)	(1.4)	8.3%
Total Expenses	(150.7)	(163.4)	(12.6)	8.4%
EBITDA	12.5	13.0	0.5	3.9%
Depreciation & Amortisation	(0.4)	(0.5)	(0.1)	25.0%
EBITA	12.0	12.4	0.4	3.2%
Amortisation	–	–	–	0.0%
EBIT	12.0	12.4	0.4	3.2%
Labour Hire Statistics:				
Total Hours Charged ('000)	3,368	3,569	201	6.0%
Average Hourly Rate	\$42	\$42	–	1.3%
Training Statistics:				
Total Enrolments	9,276	12,103	2,827	30.5%
Average Fee Income	\$2,301	\$2,036	–\$265	–11.5%

Revenue

FY2013 was also a period of growth which saw revenues increase from \$163.2 million in FY2012 to \$176.3 million in FY2013, an 8.0% increase. This growth was driven by a number of factors which are summarised below:

Training revenue growth

- the implementation of the Demand Driven Model in South Australia;
- increased enrolments in Western Australia attributable to Commonwealth Government funding;
- growth in Integracom which saw revenue grow from \$2.2 million in FY2012 to \$6.0 million in FY2013. This increase was driven by expansion of the business into the eastern states of Australia and consequently, increased enrolments; and
- the above growth factors were offset by a decline in Training revenue from the Ashley Institute of Training business of \$1.31 million in FY2013. This decline in Training revenue was due to a reduction in Victorian Government funding across Training's scope of qualifications.

Labour Hire revenue growth

- an increase in Labour Hire revenue from \$141.1 million in FY2012 to \$151.4 million in FY2013 (an increase of 7.3%), resulting from several factors including:
 - the acquisition by Ashley Services of the OneForce Recruitment business in May 2013. This acquisition contributed an additional \$4.6 million in revenue during FY2013;
 - the full year impact of the Advance Recruitments business with revenue of \$26.5 million, acquired during the course of FY2012;
 - increases in the total number of hours and the average hourly rates charged to the customer; and
 - the above increases were partially offset by a reduction in revenue derived by Concept (prior to the acquisition by Ashley Services), decreasing from \$31.8 million in FY2013 to \$27.7 million in FY2012 (representing a decrease of 12.9%). This reduction in revenue was predominantly due to an unsuccessful bid to renew a significant contract which went to tender.

Cost of sales and expenses

The increase in costs of sales in FY2013 was predominantly due to an increase in Labour Hire revenue. Labour Hire cost of sales includes remuneration expenses associated with contract workers and as such is correlated to movements in labour hire revenue. Labour hire cost of sales increased by 10.6% in FY2013 compared to growth in revenue of 7.3%. The increase in cost of sales was due to strong industry competition resulting in pricing pressure from customers. Training costs increased in FY2013 in line with revenue.

EBITDA

EBITDA increased from \$12.5 million in FY2012 to \$13.0 million in FY2013, an increase of 3.9%, reflecting the matters discussed above.

3.10.6 Cash flow

The following comments are made in relation to the pro forma historical cash flow statements set out in section 3.9:

- the cash conversion ratio for FY2011 is relatively high predominantly due to low working capital requirements for that year;
- the decrease in the cash conversion ratio for FY2012 is predominantly due to the timing of collection in receivables and an increase in CAPEX;
- the FY2013 cash conversion ratio reflects a positive change in working capital due to the timing of certain large receivables. However, there was an increase in CAPEX for that period, which reduced the cash conversion ratio; and
- the 1HFY2014 cash conversion was impacted by the Christmas season shut down period.

3.11 Forecast Financial Information

The Forecast Financial Information has been prepared based on key accounting policies adopted by Ashley Services, which are in accordance with Australian Accounting Standards and are disclosed in the Summary of Key Accounting Policies. It is assumed that there will be no changes to Australian Accounting Standards, the Corporations Act or other financial reporting requirements that may have a material effect on Ashley Services' accounting policies in FY2014F and FY2015F.

The Forecast Financial Information is based on various best estimate assumptions concerning future events, including those set out below. In preparing the Forecast Financial Information, Ashley Services has undertaken an analysis of historical performance and applied assumptions in order to predict future performance for FY2014F and FY2015F. Ashley Services believes that it has prepared the Forecast Financial Information with due care and attention and considers all assumptions when taken as a whole to be reasonable at the time of preparing this Prospectus, including each of the general assumptions set out in section 3.11.1.

However, the actual results for FY2014F and FY2015F are likely to vary from those forecast and any variation may be materially positive or negative. The assumptions upon which the Forecast Financial Information is based are by their nature subject to significant uncertainties and contingencies, many of which are outside the control of Ashley Services, the Directors and management, and are not reliably predictable.

Accordingly, none of Ashley Services, its Directors, management, or any other person can give you any assurance that the Forecast Financial Information or any prospective statement contained in this Prospectus will be achieved. Events and outcomes might differ in amount and timing from assumptions, with a material consequential impact on the Forecast Financial Information. Potential investors should note that past financial performance is not necessarily a guide to future financial performance.

The assumptions set out below should be read in conjunction with the sensitivity analysis set out in section 3.12, the risk factors set out in section 5 and the Investigating Accountant's Report on the Forecast Financial Information set out in section 4.

Financial Information

A reconciliation of the pro forma Forecast Financial Information to the statutory Forecast Financial Information is set out in section 3.3.2.

3.11.1 General assumptions

In preparing the Forecast Financial Information, the following general assumptions in relation to the forecast period have been adopted:

- no material change in the competitive operating environments in which Ashley Services operates;
- no significant deviation from current market expectations of global or Australian economic conditions relevant to the VET, labour hire and recruitment sectors in Australia;
- no material changes in Commonwealth, state or territory government legislation, tax legislation, regulatory legislation, regulatory requirements or government policy that will have a material impact on the financial performance or cash flow, financial position, accounting policies, financial reporting or disclosure of Ashley Services;
- no material changes in key personnel, including key management personnel. It is also assumed that Ashley Services maintains its ability to recruit and retain the personnel required to support future growth;
- no material changes in applicable Australian Accounting Standards, other mandatory professional reporting requirements or the Corporations Act which have a material effect on Ashley Services' financial performance, financial position, accounting policies, financial reporting or disclosure;
- no material industrial strikes or other disturbances, environmental costs, contingent liabilities or legal claims arise or are settled to the detriment of Ashley Services;
- no material cash flow or income statement or balance sheet impact in relation to litigation (existing or otherwise);
- no material acquisitions, disposals, restructurings or investments other than set out in, or contemplated by this Prospectus;
- no material changes to Ashley Services' corporate and funding structure other than set out in, or contemplated by, this Prospectus;
- no material disruptions to the continuity of operations of Ashley Services or other material changes in its business;
- no material amendment to any material agreement or arrangement relating to Ashley Services' business other than set out in, or contemplated by this Prospectus;
- none of the risks set out in section 5 has a material adverse impact on the operations of Ashley Services;
- no changes to taxation legislation; and
- the Offer proceeds are received in accordance with the timetable set out in the Key Offer Information section of this Prospectus.

3.11.2 Specific assumptions

Set out below are the key assumptions used in the preparation of the Pro forma Forecast Income Statements:

Revenues

Training

- student enrolments increase to 19,663 in FY2014F and 23,115 in FY2015F;
- average revenue per student is to increase from \$2,036 to \$2,110 in FY2014F and to \$2,385 in FY2015F due to a change in mix towards higher value qualifications;
- impact of implementation of Demand Driven Model in Western Australia, Queensland and New South Wales;
- no account has been made for the potential increase in revenues as a result of state government funding in relation to ASG Integracom; and
- no material changes to state or Commonwealth funding arrangements.

Labour Hire

- labour hire rates take into account expected demand from contracts. Total labour hours is expected to be 6.0 million hours in FY2014F and 6.6 million hours in FY2015F, reflecting the increase in demand from major customers; and
- average hourly labour rate is expected to remain approximately constant at \$40 per hour in FY2015F.

Gross margins and expenses

- change in mix of Training revenue towards higher margin qualifications;
- increased head office costs associated with the growth of Training operations and additional funding contracts; and

- Labour Hire administration has also been assumed to increase to take into account the costs of servicing the additional demand.

Corporate and head office

- accounting and administration costs are assumed to remain constant; and
- additional costs in FY2015F have been assumed to provide for listing and compliance costs.

Interest expense and income

- interest expense is based on a rate of 5.50% per annum; and
- interest income is based on a rate of 2.00% per annum.

3.11.3 Pro forma Income Statements: FY2014F vs FY2013

The Pro forma Forecast Income Statement for FY2014F has been prepared utilising actual unaudited results for the 10 months to 30 April 2014 for Ashley Services, Integracom and Concept. Ashley Services' forecast for the two months ending to 30 June 2014 has been prepared with regard to the current trading performance of Ashley Services, Integracom and Concept up until the date of this Prospectus.

Set out below is the Pro forma Forecast Income Statement for FY2014F with a comparison to the Pro forma Historical Income Statement for FY2013:

Table 13: Pro forma Income Statements: Forecast FY2014F vs Historical FY2013:

\$ Millions	Pro forma Historical/Forecast Results			
	FY2013	FY2014F	Change (\$)	Change (%)
Labour Hire	151.4	243.6	92.1	60.9%
Training	24.6	41.5	16.9	68.4%
Other Revenue	0.3	0.1	(0.1)	-45.0%
Total Revenue	176.3	285.2	108.9	61.8%
Cost of Sales	(142.4)	(232.9)	(90.5)	63.6%
Administrative Expenses	(0.9)	(1.1)	(0.2)	19.8%
Marketing Expenses	(0.4)	(0.4)	–	11.5%
Occupancy Expenses	(1.3)	(2.0)	(0.6)	48.2%
Other Expenses	(18.4)	(26.0)	(7.7)	41.8%
Total Expenses	(163.4)	(262.4)	(99.1)	60.6%
EBITDA	13.0	22.8	9.8	75.9%
Depreciation & Amortisation	(0.5)	(0.9)	(0.4)	80.0%
EBITA	12.4	21.9	9.4	76.0%
Amortisation	–	–	–	0.0%
EBIT	12.4	21.8	9.4	75.6%

Labour Hire Statistics:

Total Hours Charged ('000)	3,569	6,047	2,478	69.4%
Average Hourly Rate	\$42	\$40	(\$2)	-5.1%

Training Statistics:

Total Enrolments	12,103	19,663	7,560	62.5%
Average Fee Income	\$2,036	\$2,110	\$74	3.7%

Set out below is a summary of the FY2014F forecast results split between actual reviewed pro forma results for the six months ended 31 December 2013 and forecast results for the six months to 30 June 2014:

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Table 14: Split of revenue and profit first half and second half of FY2014F

\$ Millions	Pro forma Historical/Forecast Results		
	1HFY14	2HFY14	Total FY2014F
Revenue	145.4	139.7	285.1
Proportion for FY2015F	51.0%	49.0%	100.0%
Gross Profit	23.5	28.7	52.2
Proportion for FY2015F	44.9%	55.1%	100.0%
EBITDA	9.5	13.3	22.8
Proportion for FY2015F	41.7%	58.3%	100.0%

Set out below are the key points from the comparison of actual reviewed pro forma results for the six months ended 31 December 2013 and forecast results for the six months to 30 June 2014:

- revenue is evenly spread over the period. However, Labour Hire revenues are skewed to the first half and Training is skewed to the second half;
- gross profit for the six months to 31 December 2013 amounts to 44.9% and increases to 55.1% for the second half of FY2014F. This improvement in gross profit is due to growth in Training during the second half. Training has a significantly higher margin than Labour Hire; and
- actual EBITDA for the six months to 31 December 2013 amounts to approximately 42% of total EBITDA forecast for FY2014F which predominantly reflects the gross profit improvement, as described above.

Revenue

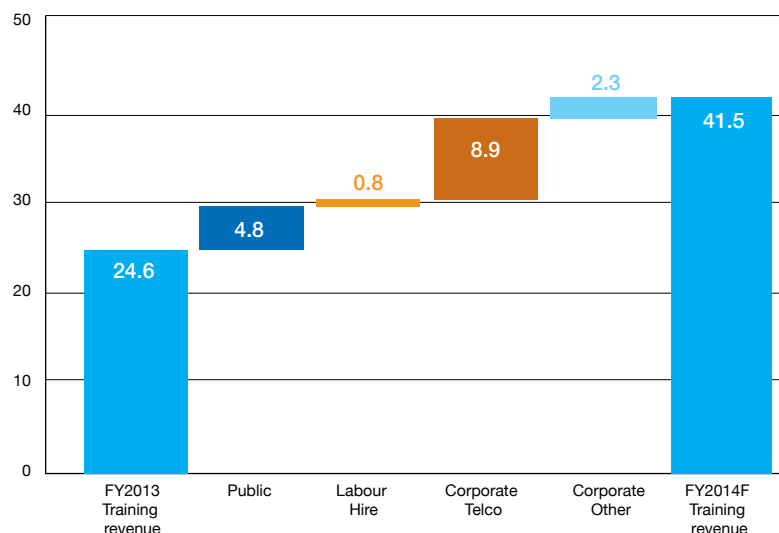
Strong performance for both Labour Hire and Training for the 10 months to 30 April 2014 are forecast to lead to an increase in revenue for FY2014F. Overall, revenue is expected to increase from \$176.3 million to \$285.2 million, an increase of \$108.9 million, or 61.8% in FY2014F.

Training revenue drivers

- Training revenue is forecast to increase by \$16.9 million or 68.4% from \$24.6 million in FY2013 to \$41.5 million in FY2014F driven by an increase of approximately 7,500 enrolments. These increases were attributable to several factors including:
 - **Public Market** – Enrolments are forecast to increase by approximately 3,100 in FY2014F generating an increase in revenue of \$4.8 million. Key factors driving the increase in Public Market enrolments and revenue include:
 - in South Australia, the impact of the Demand Driven Model, expansion of training locations and the introduction of new qualifications;
 - in Queensland, the introduction of the Demand Driven Model and a expansion of Training offices and locations in late calendar year 2013; and
 - in Victoria, the introduction of new high yield qualifications, including commercial cookery and horticulture.
 - **Corporate – Labour Hire** – Enrolments are forecast to increase by approximately 400 in FY2014F generating an increase in revenue of \$0.8m. The increase in enrolments is primarily attributable to the recent acquisition of OneForce Recruitment.
 - **Corporate – Telco** – Continued demand for Certificate III traineeships in telecommunications and expansion of training capacity by approximately 250% across Western Australia, Victoria, New South Wales and South Australia. This is forecast to result in an increase in enrolments from approximately 1,300 in FY2013 to approximately 4,150 in FY2014F and an increase in revenue from \$6.0 million in FY2013 to \$15.0 million in FY2014F, representing 53% of the total forecast growth in Training revenue in FY2014F.
 - **Corporate – Other** – Enrolments in FY2014F are forecast to increase by 1,150 generating an increase in revenue of \$2.3 million. This increase was primarily attributable to an increase in enrolments in Queensland associated with the growth of key corporate clients.

The following table sets out the sources of growth in training revenue from FY2013 to FY2014F by course type:

Figure 41: Training revenue by market (FY2013 to FY2014F) (\$ millions)



Labour Hire revenue drivers:

- An increase in Labour Hire revenue from \$151.4 million in FY2013 to \$243.6 million in forecast FY2014F (60.9% increase) results from several factors including:
 - the awarding of a national contract for a large logistics provider which is expected to contribute an addition \$44.7 million in Labour Hire revenue in FY2014F;
 - the awarding of major contracts for other large logistics providers which is expected to contribute an additional \$32.3 million in FY2014F; and
 - the full year impact of the OneForce Recruitment business which is expected to account for \$31.3 million in Labour Hire revenues in FY2014F (FY2013: \$4.5 million);

Cost of sales and expenses

Increases in cost of sales will be a consequence of the volume increases in revenue for FY2014F, in particular, the low margin Labour Hire business.

In relation to Labour Hire the major driver of increases in cost of sales relates to the salaries and wages of on-hire workers.

In relation to Training, the major drivers of increase in costs of sales relates to trainer remuneration, materials and training supplies including travel and accommodation costs for trainers and instructors.

Overall, gross profit margins are expected to decrease slightly (from 19.1% to 18.3%) predominantly due to the lower margin nature of significant large labour hire contracts won by the Group during FY2014F. Reduced margins from the Labour Hire business will be partially offset by growth in the Training business which attracts higher margins.

Other overhead expenses are expected to increase by \$8.5 million, or 40.7%. Again, this increase will be driven by the volume increases in revenue for FY2014F and predominantly relates to increases in salaries and wages associated with increases in administration support staff.

EBITDA

Overall, Ashley Services' EBITDA is expected to increase from \$13.0 million in FY2013 to \$22.8 million in FY2014F, an increase of \$9.8 million or 75.9%. This EBITDA growth will predominantly be driven by the increased contribution from the Training business during the year.

Training EBITDA margins are forecast to increase from 36.0% to 40.4% in FY2014F due to increased revenue from higher value qualifications.

The Ashley Services' EBITDA margin is forecast to increase from 7.4% in FY2013 to 8.0% in FY2014F reflecting the impact of the above factors, but predominantly the increased contribution from the higher margin Training business.

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3.11.4 Pro forma Forecast Income Statements: FY2015F vs FY2014F

Set out below is the Pro forma Forecast Income Statement for FY2015F with a comparison to the Pro forma Forecast Income Statement for FY2014F:

Table 15: Pro forma Forecast Statements: FY2015F to FY2014F

\$ Millions	Pro forma Forecast Results			
	FY2014F	FY2015F	Change (\$)	Change (%)
Labour Hire & Recruitment	243.6	264.4	20.9	8.6%
Training	41.5	55.1	13.6	32.9%
Other Revenue	0.1	–	(0.1)	-100.0%
Total Revenue	285.2	319.5	34.4	12.0%
Cost of Sales	(232.9)	(255.5)	(22.6)	9.7%
Administrative Expenses	(1.1)	(1.0)	–	-3.8%
Marketing Expenses	(0.4)	(0.5)	–	4.1%
Occupancy Expenses	(2.0)	(2.2)	(0.2)	11.5%
Other Expenses	(26.0)	(29.4)	(3.3)	12.7%
Total Expenses	(262.4)	(288.6)	(26.2)	10.0%
EBITDA	22.8	31.0	8.2	36.0%
Depreciation & Amortisation	(0.9)	(1.3)	(0.3)	33.3%
EBITA	21.9	29.7	7.9	36.0%
Amortisation	-	(0.7)	(0.7)	0.0%
EBIT	21.8	29.0	7.2	33.1%
Labour Hire Statistics:				
Total Hours Charged ('000)	6,047	6,601	554	9.2%
Average Hourly Rate	\$40	\$40	-	-0.5%
Training Statistics:				
Total Enrolments	19,663	23,115	3,452	17.6%
Average Fee Income	\$2,110	\$2,385	\$275	13.0%

Revenue

Ashley Services' is forecast to generate strong revenue growth in FY2015F of \$34.4 million, or 12.0%.

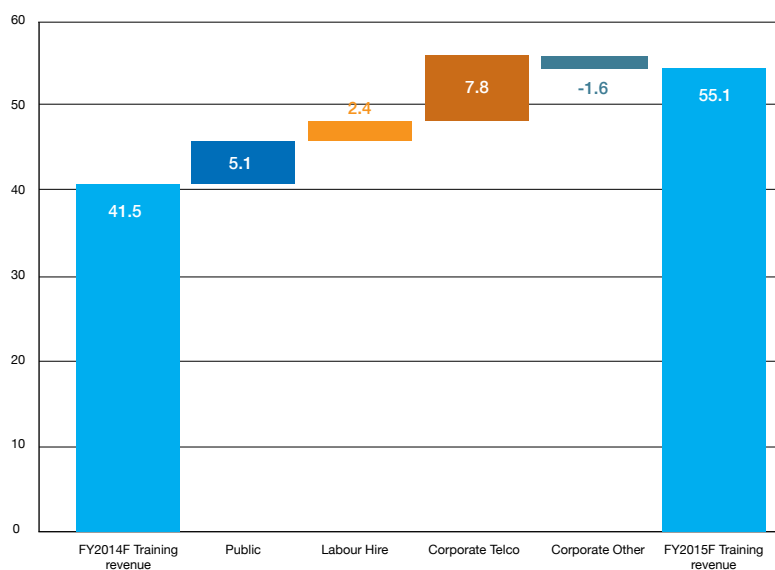
Training revenue growth

- Training revenue is forecast to increase by \$13.6 million or 32.9% from \$41.5 million in FY2014F to \$55.1 million in FY2015F driven by an increase of approximately 3,500 enrolments and an increase in average course fees. These increases were attributable to several factors including:
 - **Public Market** – Enrolments are forecast to increase by approximately 2,600 in FY2015F generating an increase in revenue of \$5.1 million. Key factors driving the increase in Public Market enrolments and revenue include:
 - expansion of Demand Driven Model in Queensland and the impact of opening of three new training locations;
 - full year impact of Western Australia Demand Driven Model “Future Skills”, which commenced in March 2014;
 - implementation of the New South Wales Demand Driven Model “Smart and Skilled” on 1 January 2015.
 - **Corporate – Labour Hire** – Enrolments are forecast to increase by approximately 400 in FY2015F generating an increase in revenue of \$2.4 million, primarily due to the full year impact of the introduction of the horticulture qualification and higher average qualification values.

- **Corporate – Telco** – Enrolments are forecast to increase by approximately 1,300 in FY2015F primarily attributable to the full year impact of the expansion in training facilities in FY2014F. Volume increases due to the Demand Driven Model combined with an increase in average course fees from July 2014 from \$3,500 to \$4,000 generated an increase in revenue of \$7.8 million.
- **Corporate – Other** – Forecast to recognise a reduction in revenue of \$1.6m attributable to a reduction in enrolments by 800. Training has not included within the forecast period any potential or forecasted growth outside of typical ongoing contracts with corporate clients.

The following table sets out the sources of growth in training revenue from FY2014F to FY2015F by course type:

Figure 42: Training revenue bridge: FY2014F to FY2015F (\$ Millions)



Labour Hire revenue growth

- Labour Hire forecast to increase from \$243.6 million in FY2014F to \$264.4 million in FY2015F (an 8.6% increase) as a result of the following:
 - the full year impact of the major contract for the large logistics provider won in FY2014F (refer to commentary in section 3.11.3 above). This contract is expected to account for an additional \$11.3 million in revenue in FY2015F; and
 - a number of smaller customers increasing their revenues.

Cost of sales and expenses

Cost of sales will increase due to the forecast increase in revenue in FY2015F, in particular for Labour Hire.

In relation to the Training business, the major drivers of the increase in cost of sales relates to trainer remuneration, materials and Training supplies including travel and accommodation costs for trainers and instructors.

In relation to Labour Hire, the major driver of increases in cost of sales relates to the salaries and wages of on-hire workers.

Overall, gross profit margins are expected to increase (from 18.3% to 20.0%) predominantly due to the increased revenue contribution of the training business which attracts significantly higher margins compared to the Labour Hire business.

Other overhead expenses are expected to increase by \$3.5 million, or 11.9%. This increase relates predominantly to increases in salaries and wages associated with increases in administration and compliance support staff to support the increase in revenue over the same period for Training.

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EBITDA

Overall, Ashley Services' EBITDA is expected to increase from \$22.8 million in FY2014F to \$31.0 million in FY2015F, an increase of \$8.2 million, or 36.0%. This EBITDA growth is expected to be driven by growth in revenue from Training which attracts higher margins when compared to Labour Hire.

Training EBITDA margins are forecast to increase from 40.4% in FY2014F to 44.4% in FY2015F due to increased revenue from higher value qualifications.

The Ashley Services' EBITDA margin is forecast to increase from 8.0% in FY2014F to 9.7% in FY2015F reflecting the impact of the above factors.

Cash flow

- In 1HFY2014 there is a decrease in the conversion rate due to the "Christmas shut-down" – where employees and contractors are paid their leave entitlements and customers are invoiced, but payment is delayed until early in the new year;
- for forecast FY2014F, the increase in working capital is primarily growth related, as evidenced by the growth in EBITDA; and
- for forecast FY2015F, there is still an increase in working capital which is growth related, albeit not as high as FY2014F.

3.12 Sensitivity analysis

The Forecast Financial Information set out in sections 3.3, 3.11.3 and 3.11.4 is based on a number of assumption as described in sections 3.11.1 and 3.11.2. These estimates and assumptions are subject to business, economic and competitive uncertainties and contingencies, many of which are beyond the control of Ashley Services, the Directors and management. These estimates are also based on assumptions with respect to future business decisions, which are subject to change.

Set out below is a summary of the sensitivity of the pro forma forecast results for FY2015F to changes in a number of key assumptions. The changes in key assumptions set out in the sensitivity analysis are intended to provide a guide only and are not intended to be indicative of the complete range of variations that may be experienced. Variations in actual performance could exceed the ranges shown.

Table 16: Sensitivity analysis

\$ Millions	FY2015F EBITDA		
	-1%	Pro forma Forecast	+1%
Training Revenue	54.6	55.1	55.7
Impact on Group NPAT	(0.4)	-	0.4
Training EBITDA Margin	43.4%	44.4%	45.4%
Impact on Group NPAT	(0.4)	-	0.4
Labour Hire EBITDA Margin	2.3%	3.3%	4.3%
Impact on Group NPAT	(1.9)	-	1.9

Care should be taken in interpreting these sensitivities. The estimated impact of changes in each of the variables has been calculated in isolation from changes in other variables in order to illustrate their likely impact on the Forecast Financial Information. In practice, changes in assumptions may offset each other or be cumulative and it is likely that management would respond to any adverse change in any one assumption to seek to minimise the net effect on Ashley Services financial performance.

3.13 Dividend policy

The payment of dividends by Ashley Services is at the complete discretion of Directors.

Depending on available profits and the financial position of Ashley Services, it is the current intention of the Board to pay interim dividends in respect of half years ending 31 December and final dividends in respect of full years ending 30 June each year. The payment of a dividend by Ashley Services is at the discretion of Directors and will be a function of a number of factors including the general business environment, the operating results and financial condition of Ashley Services, future funding requirements, capital management initiatives, taxation considerations (including the level of franking credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Ashley Services, and any other factors the Directors may consider relevant.

No dividend will be paid following Listing in respect of FY2014.

For FY2015, the Directors intend to target a dividend payout ratio of 60-70% of Statutory NPATA for the period from Listing to 30 June 2015.

An interim dividend is anticipated to be paid in respect of earnings for the period from Listing to 31 December 2014. Based on the mid-point of the target payout ratio, or 65%, the FY2015 interim dividend would equate to \$3.4 million or 2c per Share.

A final dividend is anticipated to be paid in respect of the period from 1 January 2015 to 30 June 2015. Based on the mid-point of the target payout ratio, or 65%, the FY2015 final dividend would be \$6.2 million or 4c per share, bringing total dividends for FY2015 to \$9.6 million or 6c per share.

Subject to the above considerations, beyond FY2015, the Directors intend to target a payout ratio of between 60% and 70% of Statutory NPATA. The level of payout ratio is expected to vary between periods depending on the factors above and, in particular, should value accretive strategic growth, acquisition or investment opportunities arise it may result in a payout ratio in the future that is less than the above target.

No assurances can be given by any person, including the Directors, about the payment of any dividend and the level of franking on any such dividend.

No dividend reinvestment plan has been assumed to be activated by Ashley Services during the forecast period.

Financial Information

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Investigating Accountant's Report

Investigating Accountant's Report



Board of Directors
Ashley Services Group Limited
Unit 2, 11 Holbeche Road
Arndell Park
Sydney, NSW, 2148

1 August 2014

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Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

INDEPENDENT LIMITED ASSURANCE REPORT ON THE PRO FORMA HISTORICAL AND FORECAST FINANCIAL INFORMATION AND FINANCIAL SERVICES GUIDE

Introduction

We have been engaged by Ashley Services Group Limited ("the Company") to report on the pro forma historical and pro forma forecast financial information of the Company for inclusion in the Prospectus (the "Prospectus") to be dated on or about 1 August 2014 relating to the issue and sale of ordinary shares in the Company.

Expressions defined in the Prospectus have the same meaning in this report, unless otherwise specified.

Grant Thornton Corporate Finance Pty Ltd ("Grant Thornton Corporate Finance") holds Australian Financial Services Licence (AFS Licence Number 247140). This report is both an Independent Limited Assurance Report, the scope of which is set out below, and a Financial Services Guide, as attached at Appendix A.

Scope

You have requested Grant Thornton Corporate Finance to review the following financial information of the Company included in the Prospectus:

Historical Financial Information

The historical financial information, as set out in the Prospectus comprises:

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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- The pro forma historical consolidated statement of comprehensive income for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six months ended 31 December 2013;
- The pro forma historical consolidated statement of cash flows for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six months ended 31 December 2013; and
- The pro forma historical consolidated statement of financial position as at 31 December 2013.

(Hereafter the “Pro Forma Historical Financial Information”).

There are no actual historical consolidated financial results for the Company. The Pro Forma Historical Financial Information presented in the Prospectus reflects a pro forma consolidation prepared from the statutory financial statements of the Company and the following entities after adjusting for the impact of the restructure, acquisitions and one off or non-recurring transactions:

- a) *Ashley Services Group Pty Ltd (formerly known as ECA Group Pty Ltd)*: the audited financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the reviewed financial statements for the six months ended 31 December 2013;
- b) *ADV Services Pty Ltd (formerly known as Ashley Services Group Pty Ltd)*: the unaudited financial statements for the year ended 30 June 2011 and the audited financial statements for the years ended 30 June 2012 and 30 June 2013 and the reviewed financial statements for the six months ended 31 December 2013;
- c) *Ashley Institute Holdings Pty Ltd*: the unaudited financial statements for the year ended 30 June 2011 and the audited financial statements for the years ended 30 June 2012 and 30 June 2013 and the reviewed financial statements for the six months ended 31 December 2013;
- d) *TBRC Holdings Pty Ltd*: the unaudited financial statements for the year ended 30 June 2011 and the audited financial statements for the years ended 30 June 2012 and 30 June 2013 and the reviewed financial statements for the six months ended 31 December 2013;
- e) *Tracmin Pty Ltd*: the audited financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and unaudited financial statements for the six months ended 31 December 2013;
- f) *Australian Institute of Vocational Developments Pty Ltd*: the unaudited financial statements for the year ended 30 June 2011, the audited financial statements for the years ended 30



June 2012 and 30 June 2013 and the unaudited financial statements for the six months ended 31 December 2013;

- g) *Concept Group (Aust) Pty Ltd*: the unaudited financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six months ended 31 December 2013; and
- h) *Integracom Unit Trust*: the reviewed financial statements for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six months ended 31 December 2013.

The Pro forma Historical Consolidated Statement of Financial Position as at 31 December 2013 also assumes completion of the proposed transactions outlined in **Section 3.4** of the Prospectus which includes the Offer (the “Pro Forma Transactions”) as though they had occurred on that date.

The Pro forma Historical Financial Information is presented in an abbreviated form insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Forecast Financial Information

The pro forma and statutory forecast financial information, as set out in the Prospectus comprises:

- The pro forma and statutory forecast consolidated statement of comprehensive income for the years ending 30 June 2014 and 30 June 2015; and
- The pro forma and statutory forecast consolidated statement of cash flows for the years ending 30 June 2014 and 30 June 2015.

(Hereafter the “Forecast Financial Information”).

The Forecast Financial Information as described in **Section 3** of the Prospectus has been prepared in accordance with the Directors’ best estimate assumptions. The stated basis of preparation used in the preparation of the Forecast Financial Information is the recognition and measurement principles contained in Australian Accounting Standards and the Company’s adopted accounting policies. The pro forma forecast financial information includes pro forma adjustments applied to the statutory forecast financial information as set out in **Section 3.3.2** of the Prospectus as if those events or transactions had occurred at that date of the forecast. Due to its nature, the pro forma forecast financial information does not represent the Company’s actual prospective performance or cash flows for the years ended 30 June 2014 and 30 June 2015.

The Pro Forma Historical Financial Information and the Forecast Financial Information are collectively referred to as the “Financial Information”.



Directors' Responsibility

The Directors of the Company are responsible for the preparation and presentation of the Financial Information. The Directors are also responsible for the determination of the Pro Forma Transactions set out in **Sections 3.4** of the Prospectus and the basis of preparation of the Pro Forma Historical Financial Information.

The Directors of the Company are also responsible for the preparation of the Statutory Forecast including its basis of preparation and for the determination of the best estimate assumptions as set out in **Section 3.11** of the Prospectus. They are also responsible for the preparation of the Pro Forma Forecast, including its basis of preparation and the selection and determination of the pro forma adjustments made to the Statutory Forecast and included in the Pro Forma Forecast.

This responsibility also includes compliance with applicable laws and regulations and for such internal controls as the directors determine necessary to enable the preparation of the Pro Forma Historical Financial Information and Forecast Financial Information that are free from material misstatement.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Financial Information based on the procedures performed and evidence we have obtained. We have conducted our engagement in accordance with the Standard on Assurance Engagements ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/ or Prospective Financial Information*.

Our procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures applied to the accounting records in support of the Financial Information.

These procedures are substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion on the Financial Information.

Our engagement did not involve updating or re-issuing any previously issued audit or review report on any financial information used as a source of the Financial Information.

Conclusions

Historical Financial Information

Based on our independent review, which is not an audit, nothing has come to our attention which causes us to believe that the Pro Forma Historical Financial Information of the Company as described in **Section 3** of the Prospectus does not present fairly:

- The pro forma historical consolidated statement of comprehensive income for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six months ended 31 December 2013;



- The pro forma historical consolidated statement of cash flows for the years ended 30 June 2011, 30 June 2012 and 30 June 2013 and the six months ended 31 December 2013, and
- The pro forma historical consolidated statement of financial position as at 31 December 2013;
- The Pro Forma Transactions do not provide a reasonable basis for the Pro Forma Historical Financial Information;
- The Pro Forma Historical Financial Information has not been prepared on the basis of the transactions set out in **Sections 3.3.2 and 3.4** of the Prospectus; and
- The Pro Forma Historical Financial Information does not present fairly the Company's pro forma historical consolidated statement of financial position as at 31 December 2013,

in accordance with the measurement and recognition requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia as if the Pro Forma Transactions set out in **Section 3.4** of the Prospectus had occurred at 31 December 2013.

Forecast Financial Information

Based on our review of the Forecast Financial Information, which is not an audit, and based on an investigation of the reasonableness of the Directors' best estimate assumptions giving rise to the Forecast Financial Information, nothing has come to our attention which causes us to believe that:

- The Directors' best estimate assumptions do not provide a reasonable basis for the preparation of the Forecast Financial Information;
- The Forecast Financial Information was not prepared on the basis of the best estimate assumptions;
- The Forecast Financial Information does not present fairly:
 - i) The forecast consolidated statement of comprehensive income for the years ending 30 June 2014 and 30 June 2015; and
 - ii) The forecast consolidated statement of cash flows for the years ending 30 June 2014 and 30 June 2015,

in accordance with the recognition and measurement requirements (but not all of the presentation and disclosure requirements) of applicable Accounting Standards and other mandatory professional reporting requirements in Australia.



The Forecast Financial Information has been prepared by management and adopted by the Directors in order to provide prospective investors with a guide to the potential financial performance of the Company for the years ending 30 June 2014 and 30 June 2015. There is a considerable degree of subjective judgement involved in preparing forecasts since they relate to events and transactions that have not yet occurred and may not occur. Actual results are likely to be different to the Forecast Financial Information since anticipated events or transactions frequently do not occur as expected and the variation may be material. The directors best estimate assumptions on which the Forecast Financial Information are based relate to future events and/ or transactions that management expect to occur and actions that management expect to take and are also subject to uncertainties and contingencies, which are often outside of the control of the Company. Evidence may be available to support the directors best estimate assumptions on which the Forecast Financial Information is based, however, such evidence is generally future orientated and therefore speculative in nature.

We are therefore not in a position to express a reasonable assurance conclusion on those best estimate assumptions, and accordingly provide a lesser level of assurance on the reasonableness of the Directors best estimate assumptions. The limited assurance conclusion expressed in this report has been formed on the above basis.

Prospective investors should be aware of the material risks and uncertainties in relation to an investment in the Company, which are detailed in the Prospectus, and the inherent uncertainty relating to the Forecast Financial Information. Accordingly, prospective investors should have regard to the investment risks and sensitivities as described in **Sections 5 and 3.12** of the Prospectus. The sensitivity analysis described in **Section 3.12** of the Prospectus demonstrates the impact on the Forecast Financial Information of changes in key best estimate assumptions. We express no opinion as to whether the Forecast Financial Information will be achieved.

We disclaim any assumption of responsibility for any reliance on this report, or on the Forecast Financial Information to which it relates, for any purpose other than that for which it was prepared. We have assumed, and relied on representations from certain members of management of the Company, that all material information concerning the prospects and proposed operations of the Company has been disclosed to us and that the information provided to us for the purpose of our work is true, complete and accurate in all respects. We have no reason to believe that those representations are false.

Restriction on Use

Without modifying our conclusions, we draw attention to **Section 3.2** of the Prospectus, which describes the purpose of the Financial Information, being for inclusion in the Prospectus. As a result, the Financial Information may not be suitable for use for another purpose.

Investigating Accountant's Report



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Consent

Grant Thornton Corporate Finance has consented to the inclusion of the Independent Limited Assurance Report in the Prospectus in the form and context in which it is included.

Liability

The liability of Grant Thornton Corporate Finance is limited to the inclusion of this report in the Prospectus. Grant Thornton Corporate Finance makes no representation regarding, and has no liability, for any other statements or other material in, or omissions from the Prospectus.

Independence or Disclosure of Interest

Grant Thornton Corporate Finance does not have any pecuniary interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased conclusion in this matter. Grant Thornton Corporate Finance will receive a professional fee for the preparation of this Independent Limited Assurance Report.

Yours faithfully
GRANT THORNTON CORPORATE FINANCE PTY LTD

Neil Cooke
Partner

Conor Farley
Partner – Audit & Assurance



Appendix A (Financial Services Guide)

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This Financial Services Guide is dated 1 August 2014.

About us

Grant Thornton Corporate Finance Pty Ltd (ABN 59 003 265 987, Australian Financial Services Licence no 247140) (“Grant Thornton Corporate Finance”) has been engaged by Ashley Services Group Limited (“the Company”) to provide a report in the form of Independent Limited Assurance Report for inclusion in a Prospectus dated on or about 1 August 2014 (“the Prospectus”) relating to the offer of shares in the Company (“the Issue”). You have not engaged us directly but have been provided with a copy of the report as a retail client because of your connection to the matters set out in the report.

This Financial Services Guide

This Financial Services Guide (“FSG”) is designed to assist retail clients in their use of any general financial product advice contained in the report. This FSG contains information about Grant Thornton Corporate Finance generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the report, and how complaints against us will be dealt with.

Financial services we are licensed to provide

Our Australian financial services licence allows us to provide a broad range of services, including providing financial product advice in relation to various financial products such as securities and superannuation products and to deal in a financial product by applying for, acquiring, varying or disposing of a financial product on behalf of another person in respect of securities and superannuation products.

General financial product advice

The report contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs. You should consider your own objectives, financial situation and needs when assessing the suitability of the report to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Grant Thornton Corporate Finance Pty Ltd ABN 59 003 265 987 ACN 003 265 987
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

Holder of Australian Financial Services Licence No. 247140

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Investigating Accountant's Report



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Fees, commissions and other benefits we may receive

Grant Thornton Corporate Finance charges fees to produce reports, including this report. These fees are negotiated and agreed with the entity who engages Grant Thornton Corporate Finance to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the person who engages us. In the preparation of this report our fees are charged on a fixed basis. Partners, Directors or employees of Grant Thornton Corporate Finance, Grant Thornton Australia Ltd, or other associated entities, may receive dividends, salary or wages from Grant Thornton Australia Ltd. The fees charged for the preparation of this report agreed by the Company amount to \$250,000.

Associations with issuers of financial products

Grant Thornton Corporate Finance and its authorised representatives, employees and associates may from time to time have relationships with the issuers of financial products. For example, Grant Thornton Australia Ltd may be the auditor of, or provide financial services to the issuer of a financial product and Grant Thornton Corporate Finance may provide financial services to the issuer of a financial product in the ordinary course of its business. Grant Thornton Audit Pty Ltd has been appointed as the Company's auditor.

Complaints

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Ombudsman Service (membership no. 11800). All complaints must be in writing and addressed to the National Head of Corporate Finance at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Ombudsman Service who can be contacted at:

PO Box 579 – Collins Street West
Melbourne, VIC 8007
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

Contact Details

Grant Thornton Corporate Finance can be contacted by sending a letter to the following address:

National Head of Corporate Finance
Grant Thornton Corporate Finance Pty Ltd
Level 17, 383 Kent Street
Sydney, NSW, 2000

5



Risk Factors

Risk Factors

5.1 Overview

This section 5 identifies those areas that the Directors consider to be the major risks associated with an investment in Ashley Services.

The risk factors identified in this section 5 are not intended as an exhaustive list of the risks faced by Ashley Services or by investors in Ashley Services. Any combination of the risks identified in this section 5, as well as any other risks not specifically referred to in this Prospectus, may materially impact on each or any individual business, asset or operation of Ashley Services and the value of the Shares.

Potential investors should consider the risks of an investment in Ashley Services and should consult their professional advisers before deciding whether to apply for Shares.

5.2 Business risk factors

5.2.1 Training risk factors

(1) Changes in government funding and support arrangements for Ashley Services and/or the VET sector

A significant proportion of Ashley Services' Training revenue is derived from Commonwealth and state government funding.

At the date of this Prospectus, Ashley Services has 15 state government funding contracts across Australia. These government funding contracts specify the terms and conditions under which Ashley Services will receive funding for the delivery of training to eligible individuals, which includes ongoing reporting and audit requirements. There is a risk that Ashley Services could lose one or more of these contracts for breaches or non-compliance, or as a result of the corporate restructure of Ashley Services and the IPO. Ashley Services regularly tenders and applies for government funding contracts. There is a risk that they will not be successful in being awarded future funding contracts or the renewal of existing contracts.

If Ashley Services were to lose one or more of these funding contracts, be unsuccessful in being awarded or having existing contracts renewed, or if any government decides to reduce funding to the VET sector generally or to the segments of the VET sector in which Ashley Services operates or to training specifically, this could have a material adverse impact on Ashley Services' earnings and financial position.

(2) Regulatory factors

The Australian VET sector is highly regulated. Ashley Services' four RTOs hold the necessary registrations to operate as VET providers. However, there is no guarantee that these registrations will be retained in the future. The registration of an RTO is subject to regular audit and re-registration and audits may also be prompted by applications

for changes to the scope of registration. The required date for audit and re-registration of each of Ashley Services' RTOs is detailed in section 2.3.10. An adverse audit outcome may result in an RTO being prevented from re-registering, which could have a material adverse impact on Ashley Services' reputation, earnings and financial position.

In November 2014, Ashley Services will undergo a scheduled Commonwealth Government audit, satisfactory completion of which is essential for re-registration. If Ashley Services does not pass this audit or is otherwise unable to obtain or retain requisite registrations, or if the approvals of any registrations are delayed or revoked, this may have a material adverse impact on Ashley Services' earnings and financial position.

During their respective periods of registration, each of Ashley Services' four RTOs must remain compliant with their conditions of registration. Non-compliance by any of Ashley Services' RTOs and any associated regulatory response may have an adverse impact on Ashley Services' reputation, operations, future earnings and financial position.

(3) Demand driven funding

The Victorian, South Australian, Tasmanian, Western Australian, Queensland and New South Wales state governments either have implemented or are currently in the process of implementing a demand driven funding model, this allows students in these states to determine which provider (public or private) will provide training services. This results in the Training services provider being subsidised for the delivery of training. Ashley Services' financial performance could be adversely affected by any reversal or delay in the implementation of demand driven funding models.

(4) Increased competition and change in market structure

The market for VET services in Australia is competitive. Ashley Services competes with other VET providers including private RTOs, public TAFE institutes and tertiary education providers. Competition in the sector is primarily based on the range of qualifications offered, quality of training provided, pricing of qualifications, the perceived reputation of the training provider, and the employability of graduates from the training provider. The competitive factors which Ashley Services faces may change for a number of reasons, including through the entry of new competitors into the market, the consolidation of existing market participants or a change in government policy which affects the distribution of public funding to the sector.

Any increase in competition or deterioration in the competitive position of Ashley Services could have a material adverse impact on Training earnings and financial position.

(5) Education premises

There are a large number of regulatory and suitability restrictions for education premises, including building codes, planning approvals and conflicts with general commercial tenants. As a result, finding suitable premises can be difficult, costly and time consuming. This may restrict operations, number of enrolments and future growth.

5.2.2 Labour Hire risk factors

(1) Increase competition and change in market structure

Ashley Services' business is susceptible to competition in the Australian labour hire, recruitment and human resources markets which are highly fragmented. In addition, competitive pricing strategies and demands from high value clients seeking preferred supplier agreements may impact Ashley Services' profit margins and market share.

The recruitment industry has traditionally had low barriers to entry and is highly competitive. Changes to the competitive structure (including pricing of services) of the sector in which Ashley Services operates may have an impact on forecast revenue and margins. There can be no guarantee that Ashley Services will be able to compete successfully against current and future competitors.

Any increase in competition, or a deterioration in the competitive position of Ashley Services, could have a material adverse impact on Labour Hire earnings and financial position.

(2) Key contracts and business relations

Contracts for the provision of labour hire and temporary placements are generally terminable on short notice. Ashley Services has a number of long term contracts with its significant clients however these contracts can be terminated on relatively short notice (prior to the expiry of the fixed term) in a limited range of circumstances, including where there is a change of control of Ashley Services. The financial performance of Labour Hire is therefore susceptible to a loss of one or more major contracts or clients.

As set out in section 2.5, 83% of forecast pro forma FY2014 Labour Hire revenue comes from Ashley Services' top 20 clients and accordingly, the financial performance of Ashley Services is susceptible to the loss of one or more of these clients.

(3) Regulatory factors

Ashley Services has a number of industrial agreements for its contract labour workforce and such agreements are over varied periods of time. The failure to renew such agreements could have a material adverse impact on Ashley Services' earnings and financial position.

(4) Changes in contracting or recruitment patterns

Changes in contracting or recruitment patterns in the markets in which Labour Hire operates, particularly any trend to such functions being undertaken in-house as opposed to being outsourced, may adversely affect the labour hire industry and the performance of Labour Hire.

(5) Industry

Ashley Services has a number of inherent risks associated with its businesses, including WH&S, workers' compensation insurance premiums. These risks are not isolated to the Company, but rather to the labour hire and recruitment industries more generally.

Ashley Services places its employees in the workplace of other businesses. In certain circumstances Ashley Services may be held responsible for the actions of people in a workplace which is not under the direct control of Ashley Services.

Ashley Services can also be affected by fluctuations in the businesses of its clients. Interruptions in a client's business may adversely impact the Company. For example, industrial disputes or natural disasters may require clients to close or reduce their hours of operations.

5.2.3 General business risk factors

(1) Downturn in the training and labour hire industries

Ashley Services' revenue and growth are susceptible to any downturn in the training and labour hire industries. The labour hire industry is susceptible to any economic or political changes that lead to a decreased demand for workers. A deterioration in the economic and labour market conditions could have a material adverse impact on Ashley Services' Labour Hire earnings and financial position.

(2) Damage to Ashley Services' brands

A significant factor in the success of Ashley Services is its reputation and branding. A failure to maintain the strength of the Ashley Services brands could impact on Ashley Services' ability to recruit students, maintain the registrations of its RTOs, receive government funding, maintain corporate relationships and successfully implement its business strategy.

Unforeseen issues or events which place the Company's reputation at risk may impact on its future growth and profitability. Any factors that diminish the reputation of the Company or any of its personnel could impede its ability to compete successfully and result in adverse effects on its future business plans. This may, in turn, have a material adverse effect on the financial performance of Ashley Services.

Allegations of wrongdoing on the part of Ashley Services or any other VET provider could attract adverse media coverage

Risk Factors

or regulatory scrutiny which focuses not only on the individual RTO in question, but on the VET sector as a whole. These allegations and subsequent attention could potentially have an adverse impact on Ashley Services.

(3) Management of growth

Over the past three years, Ashley Services has achieved strong growth in revenue and profitability and this is forecast to continue. Continued achievement of such growth is dependent on many factors as set out in this Prospectus. There is a risk that Ashley Services may not be able to successfully execute its growth strategies.

No assurance is given that the Company will be successful in continuing to manage growth or that the recent growth record is indicative of future growth.

(4) Acquisitions

Ashley Services intends to focus on growing its business both organically and through strategic acquisitions. Ashley Services' ability to successfully grow by acquisition will depend on a range of factors including funding arrangements, cultural compatibility and Ashley Services' ability to identify and acquire businesses on a cost-effective basis. There can be no assurance that financing for acquisitions will be available on terms acceptable to Ashley Services, or that Ashley Services will be able to identify and complete any acquisitions.

To the extent that acquisitions are not successfully integrated with Ashley Services' existing business, the financial performance of Ashley Services could be adversely impacted. Other factors which could have an impact on the business and financial performance are the ability to integrate acquired personnel, operations, products, technologies and systems into its organisation effectively, to retain and motivate personnel and to retain the acquired business' clients.

Depending on a range of factors at the time of any future acquisition, including Ashley Services' share price, its financial position and performance, and the nature of the acquisition, the Board may decide that it is in the best interests of Ashley Services and its Shareholders to fund the acquisition through the issue of further Shares. If this were to occur, it may result in dilution of the ownership interests of Shareholders.

(5) Reliance on key personnel

There can be no assurance that Ashley Services will be able to retain key personnel. The departure of key personnel may adversely affect the Company until suitable replacements are recruited.

The loss of key executives, in particular Ross Shrimpton (Managing Director), Carl Holmes (Director, ASG Integracom Company), Brett O'Connor (General Manager, Training), Marc Shrimpton (General Manager, Recruitment), Paul Rixon (General Manager, Labour Hire) and John Knights

(General Manager, Strategy and Business Development), could cause material disruption to Ashley Services' activities in the short to medium term.

The Board reviews the employment conditions of Ashley Services' employees on an ongoing basis with a view to ensuring Ashley Services remains competitive in terms of remuneration and other incentives. The Board also reviews employee incentive plans from time to time with a view to further aligning management and employees' interests with those of the Company and Shareholders.

Refer to section 7.3 for details of contractual arrangements for key management personnel together with incentive policies to retain such key executives.

(6) Ability to hire and retain qualified staff

Ashley Services will require additional trainers, labour hire workers, marketing, sales and support staff to enable planned growth. Ashley Services' future revenues and earnings will in part depend upon its ability to engage qualified personnel to win and manage new clients and to service increased demand from existing clients. In addition, the ability of the Company to satisfy increased demand for services will depend on the ability to retain existing candidates and attract new suitably qualified candidates to fill positions. Attracting and retaining qualified personnel may require increased salaries and enhanced benefits in more competitive markets. Any difficulties in retaining or attracting new suitably qualified consultants and candidates could have a material and adverse effect on the Company's business, revenues and earnings.

(7) Funding requirements

The Directors expect that the proceeds from the Offer plus the additional banking facilities will provide sufficient funds to enable the Company to achieve its stated business objectives. However, there can be no assurance that the objectives can be met without further financing, or if further financing is necessary that it can be obtained on terms acceptable to Ashley Services or at all.

Any additional equity financing, if available, may be dilutive to Shareholders and debt financing, if chosen and available, may involve restrictions in financing and operating activities. Future activities may require Ashley Services to alter its capitalisation significantly. An inability to access sufficient capital for its operations could have a material adverse effect on Ashley Services' business, financial condition and performance.

(8) Change in corporate governance requirements

As part of its conversion to a listed public company, Ashley Services will adopt and implement certain financial reporting and corporate governance requirements. As noted in section 8.1, Ashley Services has a full internal audit program to address all corporate governance, compliance

and operational risks of the business. An inability by Ashley Services to adequately manage and resource its financial reporting and corporate governance obligations, or to properly identify key compliance risks, may have a material adverse impact on Ashley Services' licensing, regulatory compliance and reputation.

(9) Litigation

Due to the nature of its business, Ashley Services may be the subject of complaints from, or litigation by, clients, students, government agencies or third parties, including in relation to unfair dismissal or WH&S claims. There can be no assurance that legal claims will not be made against Ashley Services, or that Ashley Services' insurance will be adequate to cover liabilities resulting from any such claim. Any such claim, or the publicity arising from it, could have a material adverse impact on Ashley Services' earnings and financial position.

(10) Insurance claims

Ashley Services is subject to a number of insurance policies and as a result, a successful claim against Ashley Services could result in increased premiums, which in turn, could affect earnings.

(11) Shrimpton Family will continue to hold a significant interest in Ashley Services

The Shrimpton Family will own approximately 55% of Shares following Completion of the Offer. Consequently, the Shrimpton Family may have the ability to influence the election of Directors, the appointment of new management and the potential outcome of matters submitted to the vote of Shareholders. The interests of the Shrimpton Family may differ from the interests of Ashley Services and other Shareholders and this may adversely affect the Company's share price and other Shareholders.

The continued shareholding of the Shrimpton Family may cause or contribute to limited liquidity in the market for Shares, which could affect the market price at which other Shareholders are able to sell their Shares. A significant sale of Shares by the Shrimpton Family after the end of the escrow period, or the perception that such a sale might occur, could adversely affect the price of Shares. The continued shareholding of the Shrimpton Family may also negatively impact the timing and effectiveness of any capital raising activities of Ashley Services, which could adversely affect Ashley Services' cost of capital and financial position. Escrow arrangements for the Shrimpton Family are summarised in section 8.7.

(12) Industrial action

Industrial disputes and actions between Ashley Services and its staff may impact adversely on the revenue and profits of Ashley Services as such major disputes may result in a reduction in revenue from clients.

(13) Interest rates

A change in interest rates could have a negative effect on earnings and cash flow.

(14) Pro forma forecasts

The forecasts in this Prospectus are prepared on a pro forma basis as if the businesses (including Integracom and Concept) were owned by Ashley Services for the entirety of FY2014F and FY2015F and include a number of normalisation adjustments. The actual financial results will almost certainly be lower. See section 3.3.2 for an explanation of the adjustments between the pro forma forecasts and statutory forecasts.

(15) IT systems and infrastructure

Ashley Services relies on proprietary and third party software, hardware and products and services from a number of different providers for internal data management and reporting and delivery of services to clients and customers. Standard back-up, restoration and recovery procedures are in place for Ashley Services however any significant interruption to these systems, particularly through upgrades or implementation of new systems, could impair the ability of Ashley Services to provide its services, or cause the loss or corruption of data (include client databases). Either of these impacts or other potential effects, could have a material adverse impact on Ashley Services' earnings and financial position.

5.3 Investment and general risk factors

(1) Price of Shares may go down

Once Ashley Services becomes a listed company on the ASX, it will become subject to general market risk that is inherent in all securities listed on a securities exchange. This may result in fluctuations in its Share price that are not explained by the fundamental operation and activities of Ashley Services.

The price of the Shares quoted on the ASX may rise or fall and may trade below or above the Issue Price due to numerous factors, including:

- general economic conditions in Australia including inflation rates and interest rates;
- variations in the local and global market for listed securities;
- changes to government policy, legislation or regulation;
- inclusion or removal from major market indices (including S&P/ASX indices);
- the nature of markets in which Ashley Services operates;
- general operational and business risks;
- natural disasters; and
- global hostilities, tensions and acts of terrorism.

Risk Factors

There is no assurance that the price of Shares will increase following their quotation on the ASX, even if Ashley Services' earnings increase.

(2) Trading in Shares may not be liquid

There can be no guarantee that an active market in Shares will develop or that the price of Shares will increase. There may be relatively few or many potential buyers or sellers of the Shares on ASX at any time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders who acquire Shares under the Offer receiving a market price for their Shares that is less or more than the Issue Price that they paid.

(3) Taxation changes may negatively affect Ashley Services

There is potential for changes to tax laws and changes in the way tax laws are interpreted. Any change to the current rates of taxes imposed on Ashley Services is likely to affect returns to Shareholders.

(4) Taxation changes may negatively affect Shareholders

Tax rules or their interpretation in relation to equity investments may change. In particular, both the level and basis of taxation may change. In addition, an investment in Shares involves tax considerations which may differ for each Shareholder. Each prospective Shareholder is encouraged to seek professional tax advice in connection with any investment in Ashley Services.

(5) Risk of Shareholder dilution

In the future, Ashley Services may elect to issue Shares or engage in fundraisings and also to fund, or raise proceeds, for acquisitions that Ashley Services may decide to make. While Ashley Services will be subject to the constraints of the ASX Listing Rules regarding the percentage of its capital that it is able to issue within a 12 month period (other than where exceptions apply), Shareholders may be diluted as a result of such issues of Shares and fundraisings.

(6) Inflation

The forecasts outlined in this Prospectus assume moderate inflation growth. A change in government policy or general increase in market conditions could result in significant inflation increases, particularly for labour cost, which may not be able to be recovered.

6



Details of the Offer



Details of the Offer

6.1 The Offer

This Prospectus relates to an offer by Ashley Services of 59.5 million Shares, comprising an initial public offering of 52.3 million New Shares by Ashley Services and the sale of 7.2 million Existing Shares held by the Existing Shareholders. The total number of Shares on issue at the Completion of the Offer will be 150.0 million and all Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Shares currently on issue. The details of how to apply for Shares are set out in the Application Form.

The Shares offered under this Prospectus will represent approximately 39.5% of the Shares on issue at Completion of the Offer. The Offer will raise \$98.7 million.

The Offer is made on the terms, and is subject to the conditions, set out in this Prospectus.

6.2 Structure of the Offer

The Offer comprises:

- the Broker Firm Offer, which is open only to Australian and New Zealand resident retail clients of Brokers who have received a firm allocation of Shares from their Broker; and
- the Institutional Offer, which consists of an invitation to bid to Institutional Investors in Australia and a number of other eligible jurisdictions under this Prospectus to acquire Shares.

No general public offer of Shares will be made under the Offer. The allocation of Shares between the Broker Firm Offer and the Institutional Offer will be determined by the Joint Lead Managers, in agreement with Ashley Services, having regard to the allocation policy outlined in section 6.9.

6.3 Purpose of the Offer

The purpose of the Offer is to:

- raise capital to fund the acquisition of Integracom;
- repay existing bank debt;
- raise additional working capital and funding for potential future acquisitions;
- retain and attract quality staff through the Employee Performance Rights scheme;
- allow Existing Shareholders to realise a portion of their investment in the Company;
- facilitate the listing of Ashley Services on the ASX and thereby enable access to capital markets; and

- create a liquid market for Shares and an opportunity for employees and other persons to invest in Ashley Services.

6.4 Use of funds

The proceeds of the Offer will be applied in the following manner:

Figure 43 – Source and use of the funds to be raised under the Offer

Source of funds	
Cash proceeds from issue of Shares	\$98.7 million
Use of funds	
Payments to Existing Shareholders	\$41.6 million
Payments to Integracom Vendors	\$31.8 million
Repayment of bank debt and working capital	\$17.9 million
Estimated costs of the Offer	\$7.4 million
Total	\$98.7 million

6.5 Acquisition

The proportion of the proceeds of the Offer to be utilised to finance the acquisition of Integracom (as detailed above) represents only the initial payment and does not represent the total cash consideration required to be paid under the Integracom USPA.

The total consideration payable and the timing of each payment for the Integracom acquisition is \$41.8 million on Completion of the Offer and \$15 million payable over three years in three equal instalments, subject to meeting certain performance hurdles. A summary of the key terms of the Integracom USPA is set out in section 7.2.

On Completion of the Offer, \$31.8 million will be payable in cash and \$10 million will be payable in Shares which will be escrowed for two years post Listing.

The earn out payments will be payable in three instalments at the first, second and third anniversary of Completion of the Offer (less any amount set off against any warranty claims). The earn out is payable 50% in Shares and the other 50% in cash or Shares, at the Integracom Vendor's election. Any amount payable to the Integracom Vendor in Shares is subject to a 5% discount to a 30-day VWAP of trading in the Shares at the time of payment. Any Shares to be issued under the earn out are not subject to escrow.

6.6 Pro forma balance sheet

Ashley Services' pro forma balance sheet following Completion of the Offer, including details of the pro forma adjustments, is set out in section 3.4.

6.7 Capital structure

Ashley Services' indebtedness as at 31 December 2013, both before and adjusted to reflect the Offer, is set out in section 3.5.

6.8 Shareholding structure

Ashley Services is proposing to issue 59.5 million Shares pursuant to the Offer and 6.0 million Shares as part consideration for the acquisition of Integracom. Upon Completion of the Offer and the acquisition, the capital structure of Ashley Services will be as follows:

Figure 44 – Ashley Services capital structure following Completion of the Offer and acquisition

Shareholder	Number
Shrimpton Family	82.5 million
Marc Shrimpton	1.5 million
Carl Holmes	6.0 million
Management and staff	0.7 million
New shareholders subscribing pursuant to this Prospectus	59.3 million
Total Shares on issue after Completion of the Offer	150.0 million

The terms and conditions of all securities including Shares and Employee Performance Rights are set out in sections 8.2 and 8.3.

The Existing Shareholders are all subject to escrow arrangements in connection with their Shares. See section 8.7 for details of the escrow arrangements.

6.9 Terms of the Offer

Approach	Overview
What is the type of security being Offered?	Shares (being fully paid ordinary shares in the capital of Ashley Services).
What are the rights and liabilities attached to the securities being Offered?	A description of the Shares, including the rights and liabilities attaching to them, is set out in section 8.2.
What is the consideration payable for each Share?	The Offer Price is \$1.66 per Share.
What is the Broker Firm Offer period?	The key dates, including details of the Broker Firm Offer period, are set out on page 6.
What are the cash proceeds to be raised?	\$98.7 million will be raised under the Broker Firm Offer and the Institutional Offer.
What is the minimum and maximum application size under the Broker Firm Offer?	The minimum application under the Broker Firm Offer is 1,500 Shares and thereafter in multiples of 500 Shares. The Joint Lead Managers and Ashley Services reserve the right to reject any Application or to allocate a lesser number of Shares than applied for. There is no maximum value of Shares that may be applied for under the Broker Firm Offer.
What is the allocation policy?	The allocation of Shares between the Broker Firm Offer and the Institutional Offer has been determined by the Joint Lead Managers and Ashley Services, having regard to the allocation policies outlined in section 6.10.
When will I receive confirmation whether my application has been successful?	It is expected that initial holding statements will be despatched by standard post on or about 25 August 2014.

Details of the Offer

Will the Shares be quoted? Ashley Services will apply for admission to the Official List and quotation of Shares on the ASX under the code "ASH". Listing is conditional on the ASX approving this application. If approval is not given within three months after such application is made (or any longer period permitted by law), the Offer will be withdrawn and all Application Monies received will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act. Ashley Services will be required to comply with the ASX Listing Rules, subject to any waivers obtained by Ashley Services from time to time.

The ASX takes no responsibility for this Prospectus or the investment to which it relates. The fact that the ASX may admit Ashley Services to the Official List is not to be taken as an indication of the merits of Ashley Services or the Shares offered for subscription.

When are the Shares expected to commence trading? It is expected that trading of the Shares on the ASX will commence on or about 21 August 2014 on a deferred settlement basis. Trading will be on a deferred settlement basis until Ashley Services has advised the ASX that holding statements have been despatched to Shareholders.

It is the responsibility of each Applicant to confirm their holding before trading in Shares. Applicants who sell Shares before they receive an initial statement of holding do so at their own risk. Ashley Services and the Joint Lead Managers disclaim all liability, whether in negligence or otherwise, to persons who sell Shares before receiving their initial statement of holding, whether on the basis of a confirmation of allocation provided by any of them or by a Syndicate Broker or otherwise.

Is the Offer underwritten? The Joint Lead Managers are fully underwriting the Institutional Offer and Broker Firm Offer. A summary of the Underwriting Agreement is set out in section 7.1.

Are there any escrow arrangements? Yes. Details are provided in sections 7.5 and 8.7.

Has any ASIC relief or ASX confirmations or waivers been obtained or relied on? Yes. Details are provided in section 8.10.

Are there any tax considerations? The Directors are unable to provide advice as to the taxation implications of the Offer or an investment in the Shares in relation to an individual investor and as such investors are encouraged to seek their own professional advice before making an investment in the Shares.

Are there any brokerage, commission or stamp duty considerations? No brokerage, commission or stamp duty is payable by Applicants on the acquisition of Shares under the Offer.

What should I do with any enquiries? If you are unclear in relation to any matter and are uncertain as to whether Ashley Services is a suitable investment for you, you should seek guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

If you require additional copies of this Prospectus, please contact the Share Registry on 1300 361 735 (within Australia) or +61 1300 361 735 (outside Australia).

6.10 Broker Firm Offer

(a) Who can apply?

The Broker Firm Offer is open to persons who have received an invitation to participate in the Offer from a Syndicate Broker and who have a registered address in Australia or New Zealand. If you have been invited to participate by a Syndicate Broker, you will be treated as an Applicant under the Broker Firm Offer in respect of that allocation. You should contact your Syndicate Broker to determine whether they may allocate Shares to you under the Broker Firm Offer.

(b) How to apply

You should complete and lodge your Application Form with the Syndicate Broker who invited you to participate in the Offer. Application Forms must be completed in accordance with the instructions given to you by your Syndicate Broker and the instructions set out on the Application Form. Applications for Shares may only be made on an Application Form attached to or accompanying this Prospectus or in its paper copy form which may be downloaded in its entirety from www.ashleyservicesgroup.com.au.

By making an Application, you declare that you were given access to this Prospectus (and any supplementary or replacement prospectus), together with an Application Form. The Corporations Act prohibits any person from passing an Application Form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

The minimum Application under the Broker Firm Offer is \$2,490 worth of Shares and in multiples of \$830 thereafter. There is no maximum value of Shares that may be applied for under the Broker Firm Offer. The Company may determine a person to be eligible to participate in the Broker Firm Offer, and may amend or waive the Broker Firm Offer application procedures or requirements, in its discretion in compliance with applicable laws.

The Broker Firm Offer opens on 11 August 2014 and is expected to close at 5:00pm (AEST) on 18 August 2014.

Ashley Services and the Joint Lead Managers may elect to extend the Offer or any part of it, or accept late applications either generally or in particular cases. The Offer, or any part of it, may be closed at any earlier date and time, without further notice (subject to the ASX Listing Rules and the Corporations Act). Your Syndicate Broker may also impose an earlier closing date. Applicants are therefore encouraged to submit their Applications as early as possible. Please contact your Syndicate Broker for instructions.

(c) Application Monies

Applicants under the Broker Firm Offer must pay their Application Monies in accordance with instructions received from their Syndicate Broker.

(e) Acceptance of Applications

An Application in the Broker Firm Offer is an offer by an Applicant to Ashley Services to subscribe for Shares in the amount specified in the Application Form at the Issue Price on the terms and conditions set out in this Prospectus (including any supplementary or replacement Prospectus) and the Application Form. To the extent permitted by law, an Application is irrevocable.

An Application may be accepted by Ashley Services and the Joint Lead Managers in respect of the full number of Shares specified in the Application Form, without further notice to the Applicant. Acceptance of an Application will give rise to a binding contract.

Ashley Services reserves the right to decline any Application in whole or in part, without giving any reason. Applicants under the Broker Firm Offer whose Applications are not accepted, or who are allocated a lesser number of Shares than the amount applied for, will receive a refund of all or part of their Application Monies, as applicable. Interest will not be paid on any monies refunded.

Applicants whose Applications are accepted in full will receive the whole number of Shares calculated by dividing the Application Monies by the Issue Price. Where the Issue Price does not divide evenly into the Application Monies, the number of Shares to be allocated will be determined by the Applicant's Syndicate Broker.

(f) Broker Firm Offer allocation policy

The allocation of firm Shares to Syndicate Brokers has been determined by the Joint Lead Managers and Ashley Services. Shares which have been allocated to Syndicate Brokers for allocation to their Australian resident clients will be issued or transferred to the Applicants who have received a valid allocation of Shares from those Syndicate Brokers. It will be a matter for those Syndicate Brokers how they allocate Shares among their clients, and they (and not Ashley Services or the Joint Lead Managers) will be responsible for ensuring that their clients who have received an allocation from them, receive the relevant Shares.

(g) Announcement of final allocation policy in the Broker Firm Offer

Applicants in the Broker Firm Offer will be able to call the Share Registry on 1300 361 735 (within Australia) or +61 1300 361 735 (outside Australia) from 8:30am to 5:00pm (AEST), Monday to Friday after the allocation policy is announced to confirm their allocations. Applicants under the Broker Firm Offer will also be able to confirm their allocation through the Syndicate Broker from whom they received their allocation.

However, if you sell Shares before receiving a Shareholder Statement, you do so at your own risk, even if you have obtained details of your holding from the Share Registry or confirmed your allocation through a Syndicate Broker.

Details of the Offer

6.11 Institutional Offer

(a) Invitations to bid

The Institutional Offer consisted of an invitation to certain Institutional Investors in Australia and a number of other eligible jurisdictions to bid for Shares. The Joint Lead Managers have advised Institutional Investors of the application procedures for the Institutional Offer.

(b) Institutional Offer allocation policy

The allocation of Shares between the Broker Firm Offer and Institutional Offer has been determined by the Joint Lead Managers and Ashley Services.

Participants in the Institutional Offer have been advised of their allocation of Shares by the Joint Lead Managers.

The allocation policy was influenced by a number of factors including:

- number of Shares bid for by particular bidders;
- the timeliness of the bid by particular bidders;
- Ashley Services' desire for an informed and active trading market following Listing;
- Ashley Services' desire to establish a wide spread of institutional shareholders;
- overall level of demand under the Broker Firm Offer and Institutional Offer;
- the size and type of funds under management of particular bidders;
- the likelihood that particular bidders will be long-term shareholders; and
- other factors that Ashley Services and the Joint Lead Managers considered appropriate.

6.12 Oversubscriptions

The Board will not accept any oversubscriptions.

6.13 Allotment

Subject to ASX granting approval for Ashley Services to be admitted to the Official List, the Allotment will occur as soon as possible after the Closing Date. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell Shares before they receive their Shareholder Statements will do so at their own risk.

Ashley Services reserves the right, in its absolute discretion, to allot the Shares applied for under any Application in full or to allot any lesser number or to decline any Application. Ashley Services may in its absolute discretion give preference to certain investors in accepting Applications under the Offer.

6.14 Underwriting

The Offer is fully underwritten. The Joint Lead Managers and Ashley Services have entered into an Underwriting

Agreement under which the Joint Lead Managers have been appointed as arrangers, managers and underwriters of the Offer. The Joint Lead Managers agree, subject to certain conditions and termination events, to underwrite severally applications for all Shares under the Offer in equal proportions. The Underwriting Agreement sets out a number of circumstances under which the Joint Lead Managers may terminate the agreement and the underwriting obligations. A summary of certain terms of the agreement and underwriting arrangements, including the termination provisions, is provided in section 7.1.

6.15 ASX listing

Ashley Services will apply to ASX within seven days after the date of this Prospectus for admission to the Official List and for the Shares to be granted quotation on the ASX. If the Shares are not admitted for quotation within three months after the date of this Prospectus, none of the Shares will be allotted or issued and all Application Monies will be refunded in accordance with the Corporations Act. No interest will be paid on refunded amounts.

A decision by the ASX to admit Ashley Services to the Official List is not to be taken in any way as an indication of the ASX's view as to the merits of Ashley Services or its Shares. The ASX takes no responsibility as to the contents of this Prospectus. Quotation of the Shares, if granted, will commence as soon as practicable after Shareholder Statements for the Shares are despatched.

6.16 Brokerage, commission and stamp duty

No brokerage, commission or stamp duty is payable by Applicants upon acquisition of the Shares under the Offer.

Various fees are payable in relation to the Offer by Ashley Services to the Joint Lead Managers and its other advisers. Details are set out in section 8.8.

Ashley Services will not pay any lodgement fee to any Syndicate Broker on Applications lodged bearing a stamp representing a licensed broker. Each Syndicate Broker, has made or will make its own arrangements for payment of any fees directly with the Joint Lead Managers.

6.17 Taxation

Investors wishing to apply for Shares should give careful consideration as to the tax implications of any such investment. Relevant taxation considerations include, but are not limited to, taxation of capital gains and dividends and withholding tax. Different taxation outcomes will apply to different investors and in different circumstances, depending on factors such as whether the investor is a resident or a non-resident of Australia, whether the investor is an individual, corporate Shareholder or complying superannuation fund, or whether Shares are held on capital or revenue account.

Accordingly, potential Shareholders are advised to seek their own professional taxation advice before investing in Ashley Services.

Further information regarding taxation considerations is detailed in section 8.11.

6.18 Jurisdiction of the Offer

The offer of Shares under the Offer pursuant to this Prospectus does not constitute a public offer in any jurisdiction outside Australia and New Zealand. This Prospectus does not, and is not intended to, constitute an offer or invitation to subscribe in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Shares or the Offer, or to otherwise permit a public offering of the Shares in any jurisdiction outside Australia and New Zealand.

The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

It is the responsibility of Applicants outside Australia and New Zealand to obtain all necessary approvals for the allotment and issue of Shares pursuant to this Prospectus. The return of a completed Application Form by Applicants outside Australia and New Zealand will be taken by Ashley Services to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained and that Ashley Services may lawfully issue the Shares applied for by that Applicant.

This Prospectus has been prepared for publication in Australia and New Zealand and may not be released or distributed in the United States of America. This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States of America. The Shares have not been, and will not be, registered under the US Securities Act, and may not be offered or sold in the United States of America, except in a transaction exempt from, or not subject to, registration under the US Securities Act and applicable state securities laws of the United States of America.

6.19 Withdrawal of Offer

Subject to the terms of the Underwriting Agreement, Ashley Services reserves the right not to proceed with the Offer at any time before the issue of Shares to successful applicants. If the Offer does not proceed, Application Monies will be refunded without interest as soon as practicable in accordance with the requirements of the Corporations Act.

6.20 Electronic Prospectus

The Offer constituted by this Prospectus is available electronically only to investors in Australia and New Zealand. Persons located in Australia or New Zealand may view this Prospectus on Ashley Services' website www.ashleyservicesgroup.com.au. The Offer constituted by this Prospectus in electronic form is not available to investors outside Australia and New Zealand, including persons in the United States of America.

Persons who access the electronic version of this Prospectus should ensure they download and read the entire Prospectus. A paper copy of this Prospectus will be provided free of charge to any person in Australia or New Zealand who requests a copy by contacting the Share Registry on 1300 361 735 (within Australia) or + 61 1300 361 735 (outside Australia) between 8:30 am and 5:00 pm AEST, Monday to Friday. The Corporations Act prohibits any person from passing the Application Form on to another person unless it is attached to or accompanying a paper copy of this Prospectus of the complete and unaltered electronic version of this Prospectus.

6.21 CHES

Ashley Services proposes to participate in the Clearing House Electronic Subregister System (**CHES**) operated by ASX Settlement, a wholly owned subsidiary of the ASX, in accordance with the ASX Listing Rules and the ASX Settlement and Operating Rules.

Under CHES, Ashley Services will not issue certificates to Shareholders. Ashley Services will operate an electronic issuer sponsored subregister and an electronic CHES subregister, allowing Shares to be traded electronically. Shareholders will receive a notice advising them of the number of Shares allocated to them and their holder identification number (**HIN**) for holdings registered on the CHES subregister, or a SRN in the case of holdings registered on the issuer sponsored subregister.

A Shareholder Statement will be provided to Shareholders at the end of any subsequent month during which there has been a change in their shareholding. Shareholders will be able to request additional Shareholder Statements at any time; however, a charge may be incurred.

6.22 Enquiries

If you are unclear in relation to any matter or are uncertain as to whether Ashley Services is a suitable investment for you, you should seek professional guidance from your solicitor, stockbroker, accountant or other independent and qualified professional adviser before deciding whether to invest.

If you require additional copies of this Prospectus, please contact the Share Registry on 1300 361 735 (within Australia) or + 61 1300 361 735 (outside Australia).

Details of the Offer

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Material Contracts



Material Contracts

This section 7 contains a brief summary of Ashley Services' contracts which have been identified as material and relevant to potential investors in Ashley Services.

The Constitution and consents referred to in this section 7 may be inspected, free of charge, at the registered office of Ashley Services during normal business hours.

7.1 Underwriting Agreement

The Offer has been underwritten by the Joint Lead Managers pursuant to an underwriting agreement dated 1 August 2014 between Ashley Services, Canaccord Genuity and Evans and Partners. Under the Underwriting Agreement, the Joint Lead Managers have agreed to jointly manage and severally underwrite the Offer.

(1) Fees

The Company must pay the Joint Lead Managers management and underwriting fees totalling 5% of the Offer proceeds, divided between Canaccord Genuity and Evans and Partners in equal proportions.

The Company has agreed to reimburse the Joint Lead Managers for certain costs and expenses incurred in respect of the Offer, including legal costs, travel and other out of pocket expenses.

(2) Representations, warranties and undertakings

The Underwriting Agreement contains certain standard representations, warranties and undertakings by Ashley Services to the Joint Lead Managers. The representations and warranties given by Ashley Services relate to matters such as the terms of issue of the Shares, restrictions on voting or transfer of the Shares, compliance with applicable laws and the ASX Listing Rules, content of the Prospectus and Application Forms, financial information, the due diligence process for the Offer, the conduct of Ashley Services, no breach of law or action taken against Ashley Services in relation to the Offer or the Prospectus, Ashley Services has not engaged in misleading or deceptive conduct in connection with the Offer, no material adverse change, power and authorisations, material contracts, insurance, solvency and tax obligations. The undertakings given by the Ashley Services include that it will not, without the prior written consent of the Joint Lead Managers, issue any further securities until 180 days after Shares have been issued under the Offer, subject to certain exceptions, not lodge or issue the Prospectus without prior written consent of the Joint Lead Managers, not breach laws or representations and warranties in the Underwriting Agreement, and not vary the Constitution, alter its Board or vary any material contracts until 180 days after Shares have been issued under the Offer.

The representations and warranties given by each of the Joint Lead Managers to Ashley Services relate to matters such as due incorporation, capacity and power to enter into the agreement and authorisations.

(3) Indemnity

The Company has undertaken to indemnify each of the Joint Lead Managers and certain affiliated persons against all claims and liabilities incurred in connection with the Offer and the Underwriting Agreement. This indemnity is subject to certain exceptions, including fraud, negligence, wilful misconduct and criminal penalties or fines.

(4) Termination events

Either of the Joint Lead Managers may terminate the Underwriting Agreement at any time prior to the issue of Shares under the Offer, if certain events occur, including:

- the Company fails to lodge the Prospectus with ASIC in a form approved by the Joint Lead Managers;
- a statement contained in the Prospectus or other Offer Documents is misleading or deceptive (including by omission) or likely to mislead or deceive or becomes misleading or deceptive or a material matter is omitted from the Offer Documents;
- the Prospectus or other Offer Documents do not comply with the Corporations Act, the ASX Listing Rules or any other applicable law;
- any forecast or forward-looking statement in the Prospectus or other offer document becomes incapable of being met or unlikely to be met in the projected time;
- unconditional approval (or conditional approval subject only to customary conditions) is refused or not granted by ASX to the Company's admission to the Official List, or the official quotation of all of the Shares on ASX within a specified time, or if granted, the ASX approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld or ASX indicates to the Company or either of the Joint Lead Managers that approval is likely to be withdrawn, qualified (other than by customary conditions) or withheld;
- the Company withdraws the Prospectus or any supplementary prospectus for the Offer;
- the Joint Lead Managers reasonably form the view that a supplementary prospectus must be lodged with ASIC and the Company does not lodge a supplementary prospectus in the form and with the content, and within the time, reasonably required by the Joint Lead Managers;
- a new circumstance arises after the Prospectus is lodged with ASIC that would have been required to be included in the Prospectus if it had arisen before the Prospectus was lodged and which is materially adverse from the point of view of an investor within the meaning of section 719 of the Corporations Act;
- the Company fails to comply with the requirements of the NZ Mutual Recognition Regulations to enable the Offer to proceed on the basis of the Prospectus, under those regulations;

- ASIC applies for an order under sections 1324B or 1325 of the Corporations Act in relation to the Offer, the Prospectus or any other offer documents, and the application is not dismissed or withdrawn before the date the Shares are allotted;
- ASIC gives notice of intention to hold a hearing in relation to the Offer or the Prospectus or any other offer documents under section 739(2) of the Corporations Act or makes an order under section 731 or an interim order under section 739(3);
- an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or the Prospectus or any other offer documents or ASIC commences any investigation or hearing under Part 3 of the ASIC Act in relation to the Offer, the Prospectus or any other offer documents;
- the NZCO or NZSC contacts or gives any notice to the Company at any inquiry in relation to the Offer, the Prospectus or any other offer documents;
- at any time before Completion of the Offer, the S&P/ASX 200 Index closes at a level that is 10% or more below the level of that index at 5:00 pm (AEST) on the trading day immediately prior to the date of the Underwriting Agreement;
- the Company is or becomes unable, for any reason, to issue the Shares on Completion of the Offer; or
- any of the restriction agreements are withdrawn, varied, terminated, rescinded, altered or amended, breached or failed to be complied with, without the consent of the Joint Lead Managers.

Either of the Joint Lead Managers may terminate the Underwriting Agreement at any time prior to the issue of Shares under the Offer, if certain events occur which the Joint Lead Manager believes are reasonably likely to have a material adverse effect on the outcome of the Offer or the condition or financial position of the Company, including:

- the Due Diligence Report or any other information supplied by or on behalf of the Company to the Joint Lead Managers in relation to the Due Diligence process Offer Shares, the Company, the Offer, or the Offer Documents is or becomes untrue, incorrect, misleading or deceptive (including by omission);
- any material adverse change occurs affecting the assets, liabilities, financial position or performance, profits, losses, prospects or condition, financial or otherwise of the Company;
- a material contract referred to in the Prospectus is, without the prior written consent of the Joint Lead Managers, amended or varied, breached, terminated, or becomes void, voidable, illegal, invalid or unenforceable (other than by reason only of a party waiving any of its rights), is rescinded or avoided or its performance is or becomes illegal;
- the Company is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within 10 business days after being given notice to do so by the Joint Lead Managers;
- the introduction of legislation into the parliament of the Commonwealth of Australia or of any state or territory of Australia which does or is likely to prohibit, restrict or regulate the Offer;
- the public announcement of prospective legislation or policy by the Commonwealth Government or the government of any state or territory which does or is likely to prohibit, restrict or regulate the Offer;
- the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy which does or is likely to prohibit, restrict or regulate the Offer;
- the Company contravenes the Corporations Act, its Constitution, the ASIC Act, any of the ASX Listing Rules, the Competition and Consumer Act 2010 (Cth), the Companies Act and the Securities Act 1978 of New Zealand (and all regulations under those acts), the Commerce Act 1986 of New Zealand, or the Fair Trading Act 1986 of New Zealand, or any other applicable law or regulation;
- any of the warranties or representations by the Company in the Underwriting Agreement or the Joint Lead Managers' mandate are or become materially untrue or incorrect;
- the Company is in default of any of the material terms and conditions of the Underwriting Agreement or breaches any undertaking or covenant given or made by it under the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within 10 business days after being given notice to do so by the Joint Lead Managers;
- without the prior written consent of the Joint Lead Managers, the Company disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property other than as contemplated in the Prospectus, ceases or threatens to cease to carry on business, alters its capital structure (debt or equity), other than as contemplated in the Prospectus, or amends the Constitution or any other constituent document of the Company or the terms of issue of the Shares;
- a general moratorium on commercial banking activities in Australia, the United States of America or the United Kingdom is declared by the relevant authority in any of those countries, or there is a disruption in commercial banking or security settlement or clearance services in any of those countries;

Material Contracts

- trading in all securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for at least one day on which that exchange is open for trading;
- any adverse change or disruption to the existing financial markets, political or economic conditions of, or currency exchange rates or controls in, Australia, the United States of America or the United Kingdom, or the international financial markets or any adverse change in national or international political, financial or economic conditions;
- after the date of the Underwriting Agreement, a change or development (which was not publicly known prior to the date of the Underwriting Agreement) involving a prospective adverse change in taxation affecting the Company or the Offer occurs;
- there is an outbreak of hostilities (whether or not war or a national emergency has been declared) not presently existing, or a major escalation in existing hostilities occurs, or a major act of terrorism occurs in or involving Australia, New Zealand, the United Kingdom, the United States of America, Japan or the People's Republic of China, or involving any diplomatic, military, commercial or political establishment of any of those countries elsewhere in the world;
- any of the following occur: (i) a director or senior executive of the Company is charged with an indictable offence relating to a financial or corporate matter; (ii) any governmental agency or regulatory body commences any public action against the Company, a member of management of the Company or any of its Directors announces that it intends to take such action; (iii) any director of the Company is disqualified from managing a corporation under Part 2D.6 of the Corporations Act; or (iv) a member of management or a director of the Company engages in any fraudulent conduct or activity;
- other than as disclosed in the Prospectus, a change to the board of directors or senior management of the Company occurs;
- other than as disclosed in the Prospectus, the Company charges or agrees to charge or creates any encumbrance over, the whole, or a substantial part of its business or property;
- any event set out in the timetable in the Prospectus is delayed for more than two business days after the last date on which the event must be performed, unless the Joint Lead Managers consent to a variation. This paragraph does not apply to a delay caused by ASIC extending the exposure period in accordance with section 727(3) of the Corporations Act; or
- a statement in any certificate is false, misleading, inaccurate or untrue or incorrect.

7.2 Unit sale and purchase agreement – Integracom

On 24 June 2014, Ashley Services and Integracom Holdings Pty Limited (a wholly owned subsidiary of Ashley Services) (**Purchaser**) entered into an Unit Sale and Purchase Agreement (**USPA**) with Holmes Management Group Pty Ltd as trustee of the Holmes Family Trust (**Integracom Vendor**), and Carl and Marie Holmes (**Seller Guarantors**). Under the USPA, the Integracom Vendor has agreed to sell all of the units in the Integracom Unit Trust to the Purchaser.

(1) Change of trustee

At completion of the USPA, the trustee of the Integracom Unit Trust will be changed to ASG Integracom (Aust) Pty Ltd, a member of the Ashley Services Group.

(2) Completion

Completion of the USPA will take place upon Completion of the Offer.

Before completion, the Integracom Vendor's loan account will be capitalised by the issue of new units in the Integracom Unit Trust. All of the new units will be transferred from the Integracom Vendor to the Purchaser at completion together with the existing units.

(3) Purchase price

The purchase price is made up of:

- on the completion date:
 - an initial cash payment of \$31.8 million; and
 - Shares to be issued to the Integracom Vendor in the value of \$10 million (and held in escrow for two years after completion) (**Initial Shares**);
- on the adjustment date, certain adjustments to be made (approximately one month after completion, when completion accounts have been settled); and
- an earn out payable in three separate instalments of \$5 million each, in respect of FY2015F, FY2016 and FY2017. The payment of each instalment of the earn out is conditional upon Carl Holmes not having his employment terminated within the earn out period corresponding to that instalment and meeting certain performance hurdles. The earn out is payable 50% in Shares and the balance either in Shares or cash, at the election of the Integracom Vendor. The number of Shares is to be based on a 5% discount to the 30 day VWAP to the earn out date.

(4) Seller warranties and indemnities

The USPA provides for the Integracom Vendor to give a range of warranties and indemnities which are normal for a corporate transaction of this size.

(5) Security for seller warranty claims

The Seller Guarantors guarantee the Integracom Vendor's performance of the seller warranties.

The Seller must, at completion, grant a mortgage to Ross Shrimpton over the Integracom Vendor's Initial Shares. Ross Shrimpton will hold the benefit of this share mortgage on trust for the Purchaser. The share mortgage secures performance of the Integracom Vendor's obligations under the USPA.

(6) Restraint

The Integracom Vendor, Seller Guarantors and associates are restrained for three years from competing with Ashley Services Group business, including approaching current employees and clients.

(7) Conditions precedent

Conditions precedent to the USPA taking effect are:

- the IPO has occurred;
- the Integracom Vendor being reasonably satisfied with the content of the draft prospectus and related material to be provided by the Purchaser (and the Integracom Vendor has a maximum of two business days after receiving this material to review it and confirm it is satisfied);
- the parties have entered into a deed of retirement and appointment and the asset sale and purchase agreement to change the trustee of Integracom Unit Trust to ASG Integracom (Aust) Pty Ltd and transfer employees to Ash Pty Ltd with effect from completion;
- the parties have entered into a deed of variation of the Integracom Unit Trust deed to qualify for change of trustee stamp duty exemption under the Duties Act 1997 (NSW);
- Integracom Management Group Pty Ltd as trustee of the Integracom Unit Trust has made certain resolutions relating to distribution of profits;
- Carl Holmes has entered into his executive service agreement;
- the parties have entered into the transitional services agreement, dealing with the transitional arrangements for existing students of Integracom Management Group after completion;
- the Purchaser is satisfied with the capitalisation of the Integracom Vendor's loan account into new units; and
- the Purchaser is satisfied with certain due diligence information disclosed by the Integracom Vendor.

7.3 Finance Facility

Ashley Services has entered into an with Bankwest, a division of Commonwealth Bank of Australia (**Bankwest**), under which Bankwest provides the following facilities to ASG:

- commercial cash advance facility of \$15,000,000 to assist with the working capital requirements of Ashley Services;

- commercial cash advance facility of \$8,000,000 to assist with specific acquisition opportunities for Ashley Services; and
- a bank guarantee facility of \$1,000,000 to provide for bank guarantee requirements of Ashley Services (together the **Facilities**).

Each of the Facilities will terminate three years after the initial drawing under the Facilities. The availability of the Facilities is subject to, amongst other conditions precedent, completion of the Offer and the acquisition of Integracom in accordance with the USPA. Ashley Services must provide security to Bankwest for the Facilities in the form of a first ranking security interest granted by Ashley Services and all of its subsidiaries over all assets and undertakings of Ashley Services and its subsidiaries, a first ranking security interest in the shares of all of Ashley Services' subsidiary entities and a cross guarantee provided by each of Ashley Services and its subsidiaries in relation to their obligations to Bankwest. In addition, Bankwest requires Integracom to provide a guarantee and a first ranking all asset security in favour of Bankwest after completion of the acquisition.

The Facilities are subject to a standard series of financial covenants. In order to access the funds and comply with the conditions of the facility agreement, Ashley Services must give standard undertakings which includes, without limitation, to not create or permit any security (other than certain permitted security) over the assets of Ashley Services or any of its subsidiaries without the consent of Bankwest; not to dispose of any its assets other than a disposal made in the ordinary course of business or where the disposals are within an aggregate amount of \$5,000,000 in any financial year; and during the term of the loan, not to borrow any money from other third parties (including other financial institutions) without Bankwest's consent. Additionally, the Facilities will be subject to standard events of default including, but not limited to, non-payment of debt, breach of financial covenants, cross-default and misrepresentation.

7.4 Key Employment Agreements

(1) Mr Ross Shrimpton – Managing Director

Ashley Services has employed Mr Ross Shrimpton as Managing Director, effective from 1 July 2014 with a salary package of \$300,000 per annum, inclusive of superannuation.

Mr Shrimpton is not eligible to participate in the Ashley Services short term incentive plan (**STIP**) or the Employee Performance Rights Plan.

Upon termination of Mr Shrimpton's employment, he will be subject to a three year non-compete constraint and a non-solicitation for the same period.

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(2) Mr Vince Fayad – Interim Chief Financial Officer

Mr Vince Fayad is to be employed via his employer, PKF Lawler Corporate Finance Pty Limited (**PKFLCF**), as interim Chief Financial Officer. The terms of Mr Fayad's contract will be a daily rate of a maximum of \$3,700, plus GST per day. The fees are payable on time spent only. Additionally, Mr Fayad will be entitled to an annual Directors fee of \$60,000, plus an additional \$10,000 as a member of the Remuneration Committee and an additional \$15,000 as chair of the Audit and Risk Management Committee.

Upon the engagement of a suitable Chief Financial Officer for Ashley Services, the contract between the Company and PKFLCF will be terminated.

Neither Mr Fayad nor PKFLCF is eligible for STIPs or participation in the Employee Performance Rights Plan.

(3) Mr Brett O'Connor – General Manager, Training

Ashley Services has employed Mr Brett O'Connor, General Manager, Training, effective from 1 July 2014 with a salary package of \$300,000 per annum, inclusive of superannuation. Mr O'Connor will also be eligible to participate in the Ashley Services STIP. Subject to meeting certain key performance indicator measures (**KPIs**), it is expected that the maximum STIP which Mr O'Connor will be eligible for is up to 100% of his salary package.

Mr O'Connor will also receive a bonus of \$137,500 for his past services and it is expected that 50% of his bonus will be paid in Ashley Services Shares.

Mr O'Connor will also be eligible to receive Performance Rights of up to 50% of his base salary under the Employee Performance Rights Plan.

Upon termination of Mr O'Connor's employment, he will be subject to a six month non-compete and non-solicitation restraint.

(4) Mr Carl Holmes – Director, ASG Integracom Company

Mr Carl Holmes is to be employed by ASG Integracom Company, immediately following Completion of the Offer. Mr Holmes has entered into a three year employment contract and will receive a salary of \$300,000 per annum, including superannuation. Subject to meeting certain KPIs and Ashley Services Board approval, Mr Holmes may be eligible to receive a maximum \$500,000 under the STIP.

Mr Holmes is not eligible to participate in the Employee Performance Rights Plan.

Under both Mr Holmes employment agreement and the terms of the USPA, Mr Holmes is subject to a non-compete and non-solicitation restraint period of three years.

(5) Mr Paul Rixon – General Manager, Labour Hire

Ashley Services has employed Mr Paul Rixon as General Manager, Labour Hire, effective from 1 July 2014 with a salary package of \$275,000 per annum, inclusive of superannuation. Mr Rixon will also be eligible to participate in the Ashley Services STIP. Subject to meeting certain KPIs, it is expected that Mr Rixon will be eligible for is up to a maximum of 50% of his salary package.

Mr Rixon will also receive a bonus of \$137,500 for his past services and it is expected that 50% of his bonus will be paid in Ashley Services Shares.

Mr Rixon will also be eligible to receive Performance Rights of up to 50% of his base salary under the Employee Performance Rights Plan.

Upon termination of Mr Rixon's employment, he will be subject to a six month non-compete and non-solicitation restraint.

(6) Mr Marc Shrimpton – General Manager, Recruitment

Ashley Services has employed Mr Marc Shrimpton as General Manager, Recruitment, effective from 1 July 2014 with a salary package of \$275,000 per annum inclusive of Directors fees and inclusive of superannuation. Mr Shrimpton will also be eligible to participate in the Ashley Services STIP. Subject to meeting certain KPIs, it is expected that which Mr Shrimpton will be eligible for up to a maximum of 50% of his salary package.

Mr Shrimpton will also be eligible to receive Performance Rights of up to 50% of his base salary under the Employee Performance Rights Plan.

Upon termination of Mr Shrimpton's employment, he will be subject to a six month non-compete and non-solicitation restraint.

(7) Mr Greg Jenkins – General Manager, Finance

Ashley Services has employed Mr Greg Jenkins as General Manager, Finance, effective from 1 July 2014 with a salary package of \$225,000 per annum, inclusive of superannuation. Mr Jenkins will also be eligible to participate in the Ashley Services STIP. Subject to meeting certain KPIs, it is expected that Mr Jenkins will be eligible for up to a maximum of 50% of his salary package.

Mr Jenkins will also receive a bonus of \$112,500 for his past services and it is expected that 50% of his bonus will be paid in Ashley Services Shares.

Mr Jenkins will also be eligible to receive Performance Rights of up to 50% of his base salary under the Employee Performance Rights Plan.

Upon termination of Mr Jenkins' employment, he will be subject to a six month non-compete and non-solicitation restraint.

(8) Mr John Knights – General Manager, Strategy and Business Development

Ashley Services has employed Mr John Knights as General Manager, Strategy and Business Development effective from 1 July 2014 with a salary package of \$275,000 per annum, inclusive of superannuation. Mr Knights will also be eligible to participate in the Ashley Services STIP. Subject to meeting certain key performance indicator measures KPIs, it is expected that Mr Knights will be eligible for up to a maximum of 50% of his salary package. In addition to the STIP, Mr Knights may be entitled to a commission on new business generated for Ashley Services, at the discretion of the Board.

Mr Knights will also receive a bonus of \$400,000 for his past services and it is expected that 50% of his bonus will be paid in Ashley Services Shares.

Mr Knights will also be eligible to receive Performance Rights of up to 50% of his base salary under the Employee Performance Rights Plan.

Upon termination of Mr Knights' employment, he will be subject to a six month non-compete and non-solicitation restraint.

(9) Mr Ron Hollands – Company Secretary

Mr Ron Hollands has been appointed to be Company Secretary with an annual fee of \$26,250, plus GST. Mr Hollands' contract can be terminated immediately anytime by Ashley Services.

7.5 Escrow Deeds

Existing Shareholders, representing 100% of the Shares on issue as at the date of this Prospectus (**Holders**), and Holmes have entered into voluntary escrow deeds with Ashley Services (**Escrow Deeds**) under which they will be restricted from dealing in Shares held by them (**Restricted Securities**) in the proportions and for the period (**Escrow Period**) as specified in section 8.7.

Under the terms of the Escrow Deeds, the Holders or the Holders' controller must not, during the Escrow Period, dispose of or agree or offer to dispose of the Restricted Securities, create any mortgage or charge over the Restricted Securities or do or omit to do any act if the act or omission would have the effect of transferring effective ownership or control of the Restricted Securities. However, if a takeover bid is made for Ashley Services, ASX may consent to these restrictions ceasing to apply in relation to the offer made under the takeover bid.

The Company must apply a holding lock to the Restricted Securities during the Escrow Period and will take all steps to ensure that Restricted Securities become fully transferable at the end of the Escrow Period.

If a Holder or a Holder's controller breaches the Escrow Deed, Ashley Services can take any steps it considers necessary to enforce the Escrow Deed or rectify the breach, may refuse to acknowledge or deal with the register of any of the Restricted Securities and the Holder ceases to be entitled to dividends or voting rights while the breach continues.

Material Contracts

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Additional Information



Additional Information

8.1 Corporate Governance

The Board is responsible for, and has the authority to determine, all matters relating to strategic direction, policies, practices, management goals and the operations of Ashley Services.

Ashley Services has in place corporate governance practices which are formally embodied in corporate governance policies and codes adopted by the Board (**Policies**). The aim of the Policies is to ensure that Ashley Services is effectively directed and managed, risks identified, monitored and assessed, and appropriate disclosures made.

In preparing the Policies, the Directors considered the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**Recommendations**). The Directors incorporated the Recommendations into the Policies to the extent the Recommendations were appropriate taking into account Ashley Services' size, board structure, resources and activities. The Board has adopted the following policies.

(1) Board Charter

The Board has adopted a Board Charter which sets out the responsibilities of the Board in greater detail, including the following responsibilities:

- approving the strategic objectives of the Company and establishing goals to promote their achievement;
- monitoring the operational and financial position and performance of the Company;
- ensuring the Directors inform themselves of the Company's business and financial status;
- establishing investment criteria, including for acquisitions and divestments, approving investments, and implementing ongoing evaluations of investments against such criteria;
- determining dividend policy and the amount, nature and timing of dividends to be paid (if any);
- approving and monitoring the progress of major capital expenditure, capital management and major acquisitions and divestitures;
- providing oversight of the Company, including its control and accountability systems;
- establishing written policies on compliance, risk oversight and management;
- assessing and determining whether to accept risks beyond the approval discretion provided to management;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, in conjunction with the Company's Audit and Risk Management Committee, and ensuring they are operating effectively;
- appointing and removing the Managing Director (or equivalent) (**MD**), monitoring performance and approving remuneration of the MD and the remuneration policy and succession plans for the MD, where applicable and appropriate;

- ratifying the appointment of the Directors and, where appropriate or applicable, the Company's secretary (**Secretary**);
- ensuring that business risks facing the Company are, where possible, identified and that appropriate monitoring and reporting internal controls are in place to manage such risks;
- approving and monitoring financial and other reporting and disclosure, including the Company's budgets;
- ensuring the Company complies with its responsibilities under the Corporations Act, the Constitution, the ASX Listing Rules and other relevant laws;
- considering the Company's diversity policies (as set out in the Diversity Policy) and ensuring that the Company's workforce, including its Board, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company;
- considering the social, ethical and environmental impact of the Company's activities, setting standards and monitoring compliance with the Company's sustainability policies and practices;
- exercising due care and diligence and sound business judgement in the performance of those functions and responsibilities;
- providing oversight and monitoring of WH&S issues in the Company and considering appropriate WH&S reports and information; and
- ensuring appropriate resources are available to senior executives (including senior and key officers of the Company).

The charter provides for the Board to delegate specific matters to senior management, or to committees established by the Board.

The composition of the Board, its performance and the appointment of new Directors will be reviewed periodically by the Board, taking advice from external advisers where considered appropriate.

Departure from the Recommendations

The majority of the Board is not considered independent when considered in accordance with the criteria set out in recommendation 2.1 of the Recommendations. Notwithstanding this factor, the Board believes that the individuals on the Board can make quality, independent judgment in the best interests of the Company and other stakeholders. Further, the Chairman, who has the casting vote at Board level, is considered to be independent.

Other than this instance, the Board does not anticipate that it will depart from the Recommendations.

(2) Committees

In order to better manage its responsibilities, the Board has established an Audit and Risk Management Committee, a Nomination Committee and a Remuneration Committee. Each committee has adopted a charter approved by the Board, setting out its responsibilities.

Each committee will comprise a minimum of two Non-executive Directors, a majority of independent Directors, and a Non-executive Chairman.

The committees will initially be comprised of:

- Audit and Risk Management Committee: Vincent Fayad, Peter Turner and Simon Crean;
- Nomination Committee: Peter Turner, Simon Crean and Ross Shrimpton; and
- Remuneration Committee: Peter Turner, Simon Crean and Vincent Fayad.

Executives may attend committee meetings by invitation of the chairman of the relevant committee.

Audit and Risk Management Committee

The purpose of the Audit and Risk Management Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities by monitoring and reviewing the integrity of financial statements, the effectiveness of internal financial controls, the independence, objectivity and competency of internal and external auditors, and the policies on risk oversight and management. The Committee will make recommendations to the Board in relation to the appointment of external auditors and approving the remuneration and terms of their engagement.

The role and responsibilities, composition, structure and membership requirements of the Audit and Risk Management Committee are documented in an Audit and Risk Management Charter approved by the Board and include:

- the nomination and remuneration of external auditors;
- reviewing the quality and independence of the external audit;
- providing an independent, objective review of financial information provided by management to Shareholders and regulatory authorities;
- reviewing Ashley Services' financial control practices;
- the review and oversight of areas where the Company is, or may be, exposed to risk and compliance issues; and
- assisting the Board in fulfilling its responsibilities relating to the risk management and compliance practices of Ashley Services.

Formal systems have been introduced for regular reporting to the Board on financial risks and compliance matters. The independent auditors will have a direct line of reporting to the Committee and have clear and open access to members of this Committee.

This Committee will meet at least three times each year.

Nomination Committee

The purpose of the Nomination Committee is to provide recommendations to, and to assist, the Board with respect to identifying nominees for directorships and key executive appointments, considering the composition of the Board, ensuring that effective induction and education procedures

exist for new Board appointees and key executives, and ensuring that appropriate procedures exist to assess and review the performance of the Chairman, Non-executive Directors, senior executives (including senior and key officers of the Company) and the Board as a whole.

The role and responsibilities, composition, structure and membership requirements of the Nomination Committee are documented in a Nomination Committee Charter approved by the Board and include:

- providing advice and recommendations to the Board with respect to the appointment and removal of Directors and senior executives;
- developing and maintaining a succession plan designed to ensure that an appropriate balance of skills, experience and expertise is maintained on the Board;
- ensuring that the Board is of a size and composition that ensures a range of different skills and perspectives and allows for decisions to be made effectively and expeditiously;
- facilitating and supervising the election of Directors; and
- evaluation and review of the performance of the Board.

This Committee will meet at least three times each year.

Remuneration Committee

The purpose of the Remuneration Committee is to provide advice, recommendations and assistance to the Board in relation to the Company's remuneration policies and remuneration packages of senior management, Executive Directors and Non-executive Directors.

The role and responsibilities, composition, structure and membership requirements of the Remuneration Committee are set out in detail in a Remuneration Committee Charter approved by the Board and include:

- providing the Board with advice and recommendations regarding an executive and senior executive remuneration policy;
- reviewing and providing recommendations to the Board with respect to the remuneration packages of senior executives and Executive Directors;
- reviewing and providing recommendations to the Board with respect to incentive schemes;
- providing advice to the Board with respect to Non executive Directors' remuneration; and
- reviewing and providing recommendations to the Board on the Company's remuneration, recruitment, retention and termination policies.

This Committee will meet at least twice each year.

(3) Code of Conduct – Directors and Key Officers

The Board has approved a Code of Conduct for Directors and Key Officers (including the MD, the Chief Financial Officer, the Secretary and any other key executives) which

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sets ethical standards for the Directors and Key Officers of the Company and reflects the Directors' and Key Officers' intention to ensure that their duties and responsibilities to the Company are performed with the utmost integrity.

The Code of Conduct – Directors and Key Officers deals with the following principal areas:

- integrity and professionalism;
- compliance with the law;
- conflicts of interest;
- confidential information;
- inside information;
- benefits to senior executives;
- fair dealing;
- corporate opportunities;
- protection and proper use of company assets; and
- encouragement of the reporting of unlawful, unethical behaviour.

Directors and the senior management team must comply with the Code of Conduct.

(4) Code of Conduct – obligations to stakeholders

The Board has established a code of conduct to guide compliance with legal and other obligations to the Company's stakeholders. The Company considers its stakeholders to be employees, shareholders, creditors, customers, suppliers, contractors, consultants, governmental and non governmental organisations, the communities where the Company operates and other parties that have influence over or are influenced by the Company.

This code deals with the following principal areas:

- responsibilities to Shareholders and the financial community;
- employment practices;
- fair trading and dealing;
- responsibilities to the community;
- responsibilities to the individual;
- how Ashley Services complies with legislation affecting its operations; and
- how Ashley Services monitors and ensures compliance with the code.

(5) Policies

Securities Dealing Policy

Ashley Services has a Securities Dealing Policy for Directors, senior executives, employees and consultants of Ashley Services. The policy requires key management personnel to obtain approval prior to dealing in Ashley Services securities. The policy requires that Directors, employees and consultants of the Company in possession of price sensitive information must not at any time deal in securities of the Company, or advise or suggest

another person do so, or communicate the price sensitive information to a person who may deal in securities of the Company. The policy also prohibits key management personnel from engaging in short term dealing in securities of the Company, or from dealing in securities during certain restricted periods.

The Securities Dealing Policy clearly identifies those individuals who are restricted from trading and the relevant laws relating to trading.

Shareholder Communication Policy

Ashley Services' Shareholder Communication Policy is designed to facilitate full and open communication with its shareholders, observing the highest standards in corporate governance and shareholder communications. As a publicly listed company, the Company has obligations under the Corporations Act and the ASX Listing Rules to keep the market fully informed of all information which may have or could be expected to have a material effect on the price or value of its securities. The Shareholder Communication Policy is designed for strict compliance with these requirements.

The Board aims to ensure that all Shareholders are kept informed of all material developments affecting Ashley Services' business. Information will be communicated to Shareholders through announcements to ASX, Ashley Services' annual report, annual general meetings, half yearly and full year results, and Ashley Services' website, www.ashleyservicesgroup.com.au.

The Secretary has been appointed as the person primarily responsible for managing external communications with ASX.

Continuous Disclosure Policy

Ashley Services' Continuous Disclosure Policy is designed to ensure compliance with the ASX Listing Rules disclosure requirements and imposes obligations and procedures on all Directors, employees and consultants of the Company to ensure the timely and balanced disclosure of all material matters concerning the Company.

The Continuous Disclosure Policy includes vetting and authorisation processes designed to ensure that Ashley Services' information:

- is disclosed in a timely manner;
- is factual;
- does not omit material information; and
- is expressed in a clear and objective manner that allows the input of the information when making investment decisions.

Diversity Policy

Ashley Services' Diversity Policy aims to ensure that the Company's workforce, including the Board, is made up of individuals with diverse skills, values, backgrounds and experience to the benefit of the Company. This policy sets out the guidelines by which the Company will endeavour to increase diversity throughout the Company, including at Board level.

8.2 Constitution and rights attaching to Shares

Introduction

The business of the Company is to be managed by or under the direction of the Directors. The Directors may exercise all the powers of the Company except any powers that the Corporations Act, the ASX Listing Rules or the Constitution require the Company to exercise in general meeting.

The rights attaching to Shares are governed by the Constitution, the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and the general law.

A summary of the key provisions of the Constitution is set out below. This summary is not exhaustive and does not constitute a complete statement of the rights and liabilities of Shareholders. Investors who wish to inspect the Constitution may inspect it, free of charge, at the registered office of Ashley Services during normal business hours.

Issue of shares

Subject to the Corporations Act, the ASX Listing Rules and any special rights conferred on the holders of any shares or class of shares, the Directors may issue, allot or grant options for, or otherwise dispose of, shares in the Company, to persons and on such terms, as they see fit. This power allows the Directors to, among other things, grant options over unissued shares, and issue and allot shares with any preferential, deferred or special rights, privileges or conditions, with any restrictions in regard to dividend, voting, return of capital or otherwise, which are liable to be redeemed, which are bonus shares for whose issue no consideration is payable to the Company, or which have any combination of characteristics described above.

Variation of class rights

Rights attached to shares in a class of shares may, unless their terms of issue state otherwise, be varied or cancelled only by special resolution of the Company, and either by special resolution passed at a meeting of the members holding shares in the class, or with the written consent of members with at least 75% of the votes in the class.

Unmarketable parcels

Subject to the Listing Rules, the Company is entitled to sell securities of a minority member on the conditions set out in the Constitution.

Transfer of shares

Except where required or permitted by law, the ASX Listing Rules, the ASX Settlement Operating Rules or the Constitution, there is no restriction on the transfer of shares. Where the securities are quoted on ASX, the Directors may in their absolute discretion refuse to register any transfer subject to a holding lock, in any circumstances permitted by the ASX Listing Rules, or where the transfer is in breach of the ASX Listing Rules or a restriction agreement.

Proportional takeovers

A proportional takeover offer for securities in the Company must be approved by a resolution of members in general meeting. This rule will cease to have effect on the third anniversary of its adoption, unless renewed.

Meetings of Shareholders

Except as permitted by law, a general meeting, to be called the annual general meeting, must be held at least once in every calendar year, and must be held in accordance with the Corporations Act and the ASX Listing Rules. Written notice of a meeting of the Company's members must be given to each member entitled to vote at the meeting.

Voting at meetings of members

Subject to any rights or restrictions attached to any class of shares, at a meeting of members, on a show of hands, each member has one vote and on a poll each member has one vote for each fully paid share held.

Appointment of Directors

The number of the Directors (excluding alternate Directors) must be not less than three nor more than nine, or such lesser number as the Directors determine (following approval by ordinary resolution of the shareholders in a general meeting). Directors are elected at annual general meetings of the Company. At each annual general meeting of the Company, one third of the Directors, or the number nearest to but not exceeding one third, retire from office. A Director may not hold office for a continuous period in excess of three years or past the third annual general meeting following the Director's appointment, whichever is the longer, without submitting for re-election.

The Directors may at any time appoint a person qualified to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but such additional Director holds office only until the termination of the next annual general meeting of the Company.

Remuneration of Directors

The Company will determine by resolution the total remuneration to be paid to the Directors, and the Directors will determine how the total remuneration is divided among them. The remuneration of a Director must not include a commission on, or a percentage of, profits or revenue.

The Company may also pay the Directors' travelling and other expenses that they properly and reasonably incur in attending Directors' meetings or any meetings of committees of Directors, general meetings of the Company, and in connection with the Company's business. Subject to the Corporations Act, any Director called upon to perform extra services or undertake any executive or other work for the Company beyond his or her general duties may be remunerated either by a fixed sum or a salary as determined by the Directors.

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Alternate Directors

Any Director (except the MD) may appoint any person approved by a majority of the other directors to act as an alternate Director in place of the appointing Director for a meeting or for a specified period. An alternate Director is not to be taken into account in determining the number of Directors under the Constitution.

Meetings of Directors

The Directors may meet together for the despatch of business and adjourn and otherwise regulate their meetings as they see fit. A resolution of the Directors must be passed by a majority of the votes cast by Directors entitled to vote on the resolution. The chair does not have a casting vote in addition to any vote he or she has as a Director, except in the case where the chair is Peter Turner, in which case he has a casting vote in addition to any vote he has as a director.

The Directors must keep minute books in accordance with the Corporations Act and in which they record proceedings and resolutions of meetings of the Company's members, proceedings and resolutions of Directors' meetings (including meetings of a committee of Directors), resolutions passed by members without a meeting, and resolutions passed by Directors without a meeting.

Dividends

The Directors may by resolution either, declare a dividend and may fix the amount, time and method for payment, or determine a dividend or interim dividend is payable and fix the amount and the time for and method of payment.

A general meeting of the Company or the Directors may establish a dividend reinvestment plan under which some or all members may elect that dividends determined in respect of some or all of the shares held by the members may be satisfied by the issue of Shares.

Indemnities

To the extent permitted by law, the Company may indemnify every person who is or has been an officer of the Company or a related body corporate of the Company. The Company may indemnify such persons against all losses, liabilities, costs, charges and expenses incurred by that person in his or her capacity as an officer of the Company or of the related body corporate (as the case may be) including, but not limited to, in connection with the IPO.

The Company has entered into deeds of access, indemnity and insurance with each Director which grant each Director rights to access Board papers and requires the Company to indemnify each Director for liability incurred as an officer of the Company or its related bodies corporate.

Winding up

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide among the members in kind all or any of the Company's assets, and

for that purpose, determine how he or she will carry out the division between the different classes of members but may not require a member to accept any shares or other securities in respect of which there is any liability.

8.3 Terms and conditions of Employee Performance Rights Plan

Ashley Services has adopted the Employee Performance Rights Plan under which eligible employees of Ashley Services may apply for the right to shares in the Company. Eligible employees are those who have been selected as such by the Performance Rights Plan Committee of the Board (**PRP Committee**) and Directors may only participate in the Employee Performance Rights Plan subject to Shareholder approval.

At its discretion, the PRP Committee may invite eligible employees to participate in the Employee Performance Rights Plan however any offer of rights to Shares under the Employee Performance Rights Plan must 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 PRP Committee;
- 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 PRP

Committee. 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;
- Ashley Services may place any shares issued under the Employee Performance Rights Plan in a holding lock for a period of up to 2 years; and
- compliance with Ashley Services' Share Trading Policy is required.

It is anticipated that soon after Listing, the PRP Committee will offer certain eligible employees up to Employee Performance Rights, to be calculated at the Issue Price.

8.4 Dividend policy

Ashley Services has adopted a dividend policy that provides that the Board must always retain absolute discretion to determine whether or not to declare a dividend from time to time and that in considering whether to declare a dividend, the Board will have particular regard to the following factors:

- profitability;
- sufficiency of franking credits to allow the dividend to be fully franked;
- the achievement or likely achievement of forecast results;
- cash flow to meet future or anticipated commitments;
- current economic and market conditions;
- unique or particular circumstances affecting the Company or its industry;
- the best interests of the Company and the Shareholders; and
- the requirements of the Corporations Act.

8.5 Deeds of access, indemnity and insurance

Ashley Services has entered into a deed of access, indemnity and insurance with each Director. Under each Deed, Ashley Services indemnifies the Directors to the maximum extent permitted by law and the Constitution against legal proceedings, damage, loss, liability, cost, charge, expense, outgoing or payment suffered (including legal expenses on a solicitor/client basis), due and payable (whether or not actually incurred and/or paid) by the Directors, in connection with any alleged or actual act omission or other conduct (including any misleading statement, misstatement, mistake, neglect or breach of duty) by the Director as a director of the Company.

This indemnity is subject to certain limitations: it does not apply to any civil penalty (unless otherwise agreed to by the Company) or any liability connected with fraudulent, criminal or dishonest, or a reckless or intentional breach of the Directors' duties as a director of the Company; and will only apply to the extent approval of the members of the Company is not needed under any applicable legislation (including section 208 of the Corporations Act) unless that approval has been obtained.

Also pursuant to each Deed for a period of seven years from the date that the Director ceases to be a Director, Ashley Services must provide access to all Board papers relevant to defending any claim brought against the Directors in their capacity as officers of Ashley Services, and may obtain contracts of insurance to insure the Directors against liabilities incurred in connection with their offices, excluding prohibited liabilities associated with a breach of conduct.

8.6 Directors' interests

Except as disclosed in section 2.7.3, no Director holds, or in the two year period ending on the date of this Prospectus has held, any interest in:

- any property acquired or proposed to be acquired by Ashley Services in connection with its formation or promotion; or
- the Offer.

Except as disclosed in this section 8.6, no amounts of any kind (whether in cash or securities or otherwise) have been paid or agreed to be paid to any Director to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation or promotion of Ashley Services or the Offer.

Directors' holdings

Details of Directors' relevant interests in securities of Ashley Services (held directly or indirectly) as at the date of this Prospectus are outlined in section 2.7.3 of this Prospectus.

The Directors may participate in the Offer pursuant to this Prospectus.

Remuneration of Directors

The remuneration of the Directors must not be increased except pursuant to a resolution passed at a general meeting of Ashley Services where a notice of the suggested increase has been given to members in the notice convening the meeting. The aggregate maximum amount payable (including superannuation) to Directors as Director fees (excluding salary payments to the MD) which has been approved by Shareholders is \$500,000.

The Directors may also be reimbursed for all travel and other expenses properly incurred by them in attending, participating in and returning from meetings of the Directors or any committee of the Directors or general meetings of Ashley Services or otherwise in connection with the business of Ashley Services.

A Director may receive remuneration for performing extra services or otherwise undertaking any executive or other work for Ashley Services by payment of a fixed sum as determined by the Directors, which may be either in addition to or in substitution for that Director's usual remuneration.

Directors' fees and remuneration received

Directors' fees (excluding salary) paid in the previous two years to 30 June 2014, or payable annually to the Directors

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upon Listing as remuneration for their services are set out in Figure 45:

Figure 45: Summary of Directors' fees paid and payable

Director	Total fees over past two years (\$)	Total fees from date of Listing per annum
Peter Turner ¹	Nil	\$120,000
Ross Shrimpton	Nil	Nil
Simon Crean ¹	Nil	\$75,000
Vincent Fayad (Interim Chief Financial Officer) ²	Nil	\$85,000 ²
Marc Shrimpton (Alternate Director and General Manager, Recruitment)	Nil	Nil

¹ Peter Turner and Simon Crean are to receive a payment of \$120,000 and \$75,000 respectively for the services rendered as part of the Offer and in particular, attending meetings, reviewing files and other matters in connection with the Offer. The payment is to be 50% in cash and 50% in Ashley Services Shares.

² This excludes fees that may be payable in respect of acting as a Chief Financial Officer.

Other Director and Key Management Personnel relationships

The table below sets out a summary of other relationships between Ashley Services and its Directors and key management personnel as at the date of this Prospectus:

Ross Shrimpton	Mr Ross Shrimpton is MD of the Company and is paid a total salary package of \$300,000 per annum, inclusive of superannuation and any other benefits agreed between the Chairman and the Board. Refer to section 7.2 for further details of this arrangement.
Marc Shrimpton	Mr Marc Shrimpton is an Alternate Director of the Company and General Manager, Recruitment and is paid a total salary package of \$275,000 per annum, inclusive of superannuation and any other benefits agreed between the Managing Director and the Board. Refer to section 7.2 for further details of this arrangement.
Vincent Fayad	Mr Vincent Fayad is a director of PKF Lawler Corporate Finance Pty Ltd, the financial adviser engaged by Ashley Services in relation to the Offer. PKF Lawler Corporate Finance Pty Limited is to received fees on a daily rate basis for work undertaken by him.
John Knights	Mr John Knights is a consultant to MAP Capital Advisers Pty Ltd (MAP Capital). MAP Capital is acting as a syndicating broker to Offer and will be paid a fee of up to \$300,000 for its services (which will be paid out of the fee payable to the Joint Lead Managers by Ashley Services pursuant to the Underwriting Agreement).

Lease Summary – Units 1 and 2/11 Holbeche Road, Arndell Park, New South Wales

Shrimpton Holdings Pty Limited ACN 003 692 073 as trustee for Shrimpton Holdings Pty Limited Superannuation Fund ABN 15 872 979 542 (**SH**) (the self-managed superannuation fund of which Ross Shrimpton is a member) is the landlord and Ashley Services is the tenant under a lease signed on 18 July 2014 of Units 1 and 2/11 Holbeche Road, Arndell Park, New South Wales (**Premises**). The permitted use under the lease is for offices, training facilities, recruitment and any other use permitted by law and the lease is for a term of 5 years commencing on 1 July 2014 with an option to renew the term for a further 5 years. The rent for the first year of the term is \$197,200 per annum plus GST and is increased by 4% annually, except on 1 July 2019 the rent will be determined by a market review provision under which the rent cannot decrease. The rent and responsibility for operating expenses were set in accordance with a professional market rental assessment dated 5 May 2014 carried out by an independent valuer.

Ashley Services must pay for operating expenses and utilities consumed in the Premises subject to exemptions provided for in the lease. Ashley Services must not assign, sublet or deal with its interest in the Premises without SH's consent (not to be unreasonably withheld). After an assignment with SH's consent, Ashley Services is released from all liability after the assignment date, apart from any liability arising under the lease before that date. There are no restrictions on a change of control in Ashley Services. Ashley Services is not required to provide any typical lease securities such as a bank guarantee or guarantor. Ashley Services is required to maintain public risk insurance (\$20,000,000 minimum), plate glass insurance (for full value) and insure all items it has brought onto the premises. Ashley Services must keep the premises in reasonable repair and condition (in the condition of the premises at the commencing date) except for fair wear and tear, structural and capital repairs and certain accidents and unforeseen events. At the end of the lease, Ashley Services is required to give the Premises back to SH in the condition required under these maintenance and repair obligations, leave the Premises clean and, if required by SH, remove all items brought onto the Premises by Ashley Services and reinstate the Premises and services (including air conditioning and fire sprinklers) to original base building/warehouse condition and layout (and make good any damage in doing so).

8.7 Escrow arrangements

Existing Shareholders, representing 100% of the Shares on issue as at the date of this Prospectus, and Holmes have entered into voluntary escrow deeds with Ashley Services under which they will be restricted from dealing in Shares. The details of the escrow arrangements can be found below and in section 7.5:

Shareholder	Shares (m)	Escrow period
Shrimpton Family	82.5	2 years from Listing
Holmes	6.0	2 years from Listing
Marc Shrimpton	1.5	2 years from Listing

8.8 Payments and benefits to advisors

Canaccord Genuity and Evans and Partners are the Joint Lead Managers and Underwriters to the Offer. As at the date of this Prospectus, under the terms of the Underwriting Agreement, Ashley Services has agreed to pay the Joint Lead Managers \$4.9 million (plus GST) in fees upon the successful completion of the Offer under the terms outlined in section 7.1.

Norton Rose Fulbright Australia has acted as Legal Adviser to Ashley Services in relation to the Offer. Ashley Services has agreed to pay Norton Rose Fulbright Australia approximately \$320,000 (plus GST and disbursements) for these services.

Grant Thornton has prepared the Investigating Accountant's Report included in section 4. Ashley Services has agreed to pay Grant Thornton \$250,000 (plus GST) for these services.

PKF Lawler Corporate Finance has acted as financial adviser to Ashley Services in relation to the Offer. Ashley Services has agreed to pay PKF Lawler Corporate Finance approximately \$398,000 (plus GST and disbursements) for these services.

8.9 Consents

Each of Canaccord Genuity, Evans and Partners, PKF Lawler Corporate Finance, Grant Thornton, Deloitte Touche Tohmatsu, Norton Rose Fulbright Australia, MAP Capital Advisers Pty Ltd and Link Market Services Limited:

- does not make the Offer;
- does not make, or purport to make, any statement in this Prospectus or on which a statement made in the Prospectus is based other than as specified in this section 8; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section 8.

The Joint Lead Managers have each given and have not withdrawn their consents to be named in the Prospectus as Joint Lead Managers and Underwriters in the form and context in which they are named. They have not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to their names.

Norton Rose Fulbright Australia has given and has not withdrawn its consent to be named in this Prospectus as Legal Adviser in the form and context in which it is named.

It has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Grant Thornton has given and has not withdrawn its consent to be named in this Prospectus as Investigating Accountant in the form and context in which it is named and to the inclusion of the Investigating Accountant's Report in the form and context in which it is included. Grant Thornton has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name and the Investigating Accountant's Report.

Deloitte Touche Tohmatsu has given and has not withdrawn its consent to be named in this Prospectus as being named as having reviewed the financial statements of Integracom Group Management Pty Ltd for the FY2011, FY2012 and FY2013 and for the six months to 31 December 2013 which forms part of the Pro Forma Historical Income Statements for FY2011, FY2012 and FY2013 and the Pro Forma Historical Balance Sheet as at 31 December 2013 as set out in Section 3.2 in the form and context in which those references appear. Deloitte Touche Tohmatsu has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than references to its name.

Link Market Services Limited has given and has not withdrawn its consent to be named in this Prospectus as Share Registry in the form and context in which it is named. Link Market Services Limited has had no involvement in the preparation of any part of this Prospectus other than being named as Share Registry. Link Market Services Limited has not authorised or caused the issue of this Prospectus and takes no responsibility for any part of this Prospectus other than the references to its name.

8.10 ASX Waivers

At the date of this Prospectus, ASX has given in principle advice that it will be likely to grant a waiver of Listing Rule 10.1 with respect to the lease arrangements in place between Ashley Services Group and Shrimpton Holdings Pty Limited, more fully set out in section 8.6.

8.11 Company tax status and financial year

Ashley Services will be taxed in Australia as a public company. The financial year of Ashley Services ends on 30 June.

8.12 Shareholder taxation considerations

Below is a general summary of the tax treatment that could apply to Shareholders who acquire Shares under this Prospectus to hold on capital account. This summary does not apply to Shareholders who hold their Shares on

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revenue account, such as taxpayers that carry on a share trading business. This summary is based on the Australian taxation law, and any relevant judicial and administrative interpretations, as at the date of this Prospectus, which may change in the future.

A particular taxpayer's liability under the Australian taxation law is determined having regard to the application of the taxation law to the particular facts and circumstances of the taxpayer. Accordingly, the following is only a general overview of the potential application of the taxation law and is not intended to be a detailed or complete analysis of how those laws may apply to a particular taxpayer.

This summary is not intended to be a comprehensive analysis of all taxation issues and all potential investors in Ashley Services are advised to seek their own independent financial and taxation advice about the consequences of acquiring, holding and disposing of Shares and other securities in Ashley Services. Ashley Services, its officers and each of their respective advisers, to the maximum extent permitted by law, accept no liability or responsibility with respect to the taxation consequences of subscribing for Shares under the Offer pursuant to this Prospectus.

(1) Taxation of dividends

An investment by a Shareholder in Shares constitutes an equity interest for tax purposes. Any dividends which may be accrued or paid thereon by Ashley Services should be capable of being franked (to the extent that Ashley Services has paid sufficient Australian tax to attach franking credits to the dividends).

Dividends paid by Ashley Services to Australian resident Shareholders should be included in the Shareholder's assessable income together with the declared franking credit.

Subject to the holding period rule discussed below, the Shareholder should generally be entitled to a tax offset equal to the franking credit. Where this tax offset exceeds the resident Shareholder's income tax payable, individual and complying superannuation fund Shareholders should generally be entitled to a refund of the excess franking credit. Excess franking credits cannot generate a tax refund for corporate Shareholders, but may be able to be converted into carry forward income tax losses.

An Australian resident corporate Shareholder should be entitled to credit its own franking account to the extent of the franking credit on the dividend received. This will allow the corporate Shareholder to pass on the benefit of the franking credits to its own shareholder(s) on the payment of franked dividends.

Holding period rule

For Shares acquired after 1 July 1997, a Shareholder is generally required to hold Shares "at risk" for more than 45 days in order to qualify for franking benefits, including franking credits. This holding period rule is subject to certain

exceptions, and does not apply to an individual where his or her total franking rebates for a year of income do not exceed \$5,000. Special rules apply to trusts and beneficiaries.

Shareholders who are not Australian residents

Dividends paid by Ashley Services to non-Australian resident Shareholders will be subject to Australian dividend withholding tax imposed at 30% unless:

- the dividend is franked;
- the dividend is declared by Ashley Services to be paid out of "conduit foreign income"; or
- the Shareholder is entitled to the benefit of a double taxation agreement between Australia and the country in which the Shareholder is resident, in which case the withholding tax is generally reduced to 15%.

(2) Capital Gains Tax (CGT) on disposal of Shares

Australian resident Shareholders will be subject to Australian CGT on the disposal of any Shares in Ashley Services. A Shareholder will derive a capital gain on the disposal of Shares to the extent that the consideration on disposal exceeds the CGT cost base of those Shares (generally, the amount you paid to acquire the Shares plus any transaction costs). A Shareholder will incur a capital loss on the disposal of Shares to the extent that the consideration on disposal is less than the CGT reduced cost base of the Shares.

Generally, all capital gains and capital losses arising in a financial year are added together to determine whether a Shareholder has derived a net capital gain or incurred a net capital loss in a year.

If a Shareholder derives a net capital gain in a year, this amount is included in the Shareholder's assessable income except that individual, trustee and complying superannuation fund Shareholders will in certain circumstances be able to reduce any capital gain made on the disposal of the Shares. This discount is only available if the Shares are owned by the Shareholder for at least 12 months prior to disposal. The CGT discount applicable to an individual or trustee is one half. The CGT discount applicable to a complying superannuation fund is one third.

If a Shareholder incurs a net capital loss in a year, this amount is carried forward and is available to offset capital gains derived in subsequent years, subject in some cases to the Shareholder, such as if the Shareholder is a company or trust, satisfying certain rules relating to the recoupment of carried forward losses.

Non-Australian resident Shareholders will generally not be subject to CGT on the disposal of any Shares in Ashley Services, unless:

- the Shares have been used at any time by the Shareholder in carrying on a business through a permanent establishment in Australia; or

- more than 50% of the value of the Shares is attributable to Australian real property (i.e. land and certain rights over land) and the Shareholder, together with associates, holds or has held during a specified period 10% or more of all the shares in Ashley Services.

(3) GST and Stamp Duty

The acquisition, redemption or disposal of Shares should not be subject to GST.

Where an Australian resident is registered for Australian GST, it should not generally be entitled to claim full input tax credits in respect of the GST incurred on their expenses relating to the acquisition or disposal of the Shares, for example, lawyers' and accountants' fees.

No stamp duty should be payable by a Shareholder as a consequence of acquiring any Shares pursuant to the Offer.

No TFN or ABN withholding

A Shareholder may quote its Tax File Number (**TFN**) or, where Shares are held as part of an enterprise, Australian Business Number (**ABN**) to Ashley Services. If a TFN or ABN is not quoted, and no exemption is applicable, tax may be deducted by Ashley Services from the dividends distributed to Shareholders. The rate of withholding is currently 47%.

8.13 International Offer restrictions

This Prospectus does not constitute an offer of Shares in any jurisdiction in which it would be unlawful. Shares may not be offered or sold in any country outside Australia or New Zealand except to the extent permitted below.

China

The information in this document does not constitute a public offer of the Shares, whether by way of sale or subscription, in the People's Republic of China (**PRC**) (excluding, for the purposes of this paragraph, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan). The Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

European Economic Area – Austria, Belgium, Denmark, Germany, Liechtenstein, Luxembourg, Netherlands and Spain

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and may not be made, in a Relevant Member State except pursuant

to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC (**MiFID**)); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

France

This document is not being distributed in the context of a public offering of financial securities (*offre au public de titres financiers*) in France within the meaning of Article L.411-1 of the French Monetary and Financial Code (*Code monétaire et financier*) and Articles 211-1 et seq. of the General Regulation of the French Autorité des marchés financiers (**AMF**). The Shares have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France.

This document and any other offering material relating to the Shares have not been, and will not be, submitted to the AMF for approval in France and, accordingly, may not be distributed (directly or indirectly) to the public in France. Such offers, sales and distributions have been and shall only be made in France to qualified investors (*investisseurs qualifiés*) acting for their own account, as defined in and in accordance with Articles L.411-2-II-2, D.411-1, L.533-16, L.533-20, D.533-11, D.533-13, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code and any implementing regulation.

Pursuant to Article 211-3 of the General Regulation of the AMF, investors in France are informed that the Shares cannot be distributed (directly or indirectly) to the public by the investors otherwise than in accordance with Articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code.

Hong Kong

WARNING: The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

The Shares have not been offered or sold and will not be offered or sold in Hong Kong by means of any document other than: (i) to "*professional investors*" as defined in the Securities and Futures Ordinance (Chapter 571 of the

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Laws of Hong Kong) (**SFO**) and any rules made under that ordinance; or (ii) in other circumstances which do not result in the document being a “*prospectus*” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (**CO**) or which do not constitute an offer to the public within the meaning of that ordinance.

This document is only distributed in Hong Kong to professional investors as defined in the SFO and any rules made under that ordinance. This document has not been, and will not be, registered as a prospectus under the CO.

Further no person shall issue or have in its possession for the purpose of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Shares which are, or are intended to be, disposed of only to persons outside Hong Kong or only to “*professional investors*” as defined in the SFO and any rules made under that ordinance. This document and the information contained in it may not be used other than by the person to whom it is addressed and may not be reproduced in any form or transferred to any person in Hong Kong. No person allotted Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

Ireland

The information in this document does not constitute a prospectus under any Irish laws or regulations and this document has not been filed with or approved by any Irish regulatory authority as the information has not been prepared in the context of a public offering of securities in Ireland within the meaning of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005, as amended (**Prospectus Regulations**).

The Shares have not been offered or sold and will not be offered, sold or delivered directly or indirectly in Ireland by way of a public offering except to qualified investors (as defined in Regulation 2(1) of the Prospectus Regulations).

Italy

The offering of the Shares in the Republic of Italy has not been authorized by the Italian Securities and Exchange Commission (Commissione Nazionale per le Società e la Borsa, (**CONSOB**)) pursuant to the Italian securities legislation and, accordingly, no offering material relating to the Shares may be distributed in Italy and the Shares may not be offered or sold in Italy in a public offer within the meaning of Article 1.1(f) of Legislative Decree No. 58 of 24 February 1998, as amended (**Decree No. 58**), other than:

- to qualified investors (**Qualified Investors**), as defined in Article 100 of Decree No. 58 by reference to Article 34-ter

of CONSOB Regulation no. 11971 of 14 May 1999, as amended (**Regulation No. 11971**); and

- in other circumstances, that are exempt from the rules on public offer pursuant to Article 100 of Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any offer, sale or delivery of the Shares or distribution of any offer document relating to the Shares in Italy (excluding placements where a Qualified Investor solicits an offer from the issuer) under the paragraphs above must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with Legislative Decree No. 385 of 1 September 1993 (as amended), Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 (as amended) and any other applicable laws; and
- in compliance with all relevant Italian securities, tax and exchange controls and any other applicable laws.

Any subsequent distribution of the Shares in Italy must be made in compliance with the public offer and prospectus requirement rules provided under Decree No. 58 and the Regulation No. 11971, unless an exception from those rules applies. Failure to comply with such rules may result in the sale of such Shares being declared null and void and in the liability of the entity transferring the Shares for any damages suffered by the investors.

Japan

The Shares have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (**FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Shares may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Shares may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Shares is conditional upon the execution of an agreement to that effect.

Malaysia

No approval from the Securities Commission of Malaysia has been or will be obtained in relation to any offer of Shares. The Shares may not be offered or made available for purchase in Malaysia except in an exemption from the prospectus and approval requirements under the Malaysian Capital Markets and Services Act 2007.

Norway

This document has not been approved by, or registered with, any Norwegian securities regulator under the Norwegian Securities Trading Act of 29 June 2007. Accordingly, this

document shall not be deemed to constitute an offer to the public in Norway within the meaning of the Norwegian Securities Trading Act of 29 June 2007.

The Shares may not be offered or sold, directly or indirectly, in Norway except to “professional clients” (as defined in Norwegian Securities Regulation of 29 June 2007 no. 876 and including non-professional clients having met the criteria for being deemed to be professional and for which an investment firm has waived the protection as non-professional in accordance with the procedures in this regulation).

Singapore

This document and any other materials relating to the Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Shares, may not be issued, circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under section 274 of the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**), (ii) to a relevant person pursuant to section 275(1) of the SFA, or any person pursuant to section 275(1A) of the SFA, and, in each case, in accordance with the conditions specified in section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

By accepting this document, you: (a) represent and warrant that you are (i) an “institutional investor” (as defined in section 4A(1)(c) of the SFA) or (ii) a “relevant person” (as defined in section 275(2) of the SFA) or a person to whom an offer is being made, as referred to in section 275(1A) of the SFA; and (b) agree to be bound by the disclaimers, limitations and restrictions described herein. In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

Sweden

This document has not been, and will not be, registered with or approved by Finansinspektionen (the Swedish Financial Supervisory Authority). Accordingly, this document may not be made available, nor may the Shares be offered for sale in Sweden, other than under circumstances that are deemed not to require a prospectus under the Swedish Financial

Instruments Trading Act (1991:980) (Sw. lag (1991:980) om handel med finansiella instrument). Any offering of Shares in Sweden is limited to persons who are “qualified investors” (as defined in the Financial Instruments Trading Act). Only such investors may receive this document and they may not distribute it or the information contained in it to any other person.

Switzerland

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (**SIX**) or on any other stock exchange or regulated trading facility in Switzerland. This document has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Shares may be publicly distributed or otherwise made publicly available in Switzerland. The Shares will only be offered to regulated financial intermediaries such as banks, securities dealers, insurance institutions and fund management companies as well as institutional investors with professional treasury operations.

Neither this document nor any other offering or marketing material relating to the Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of Shares will not be supervised by, the Swiss Financial Market Supervisory Authority.

This document is personal to the recipient only and not for general circulation in Switzerland.

United Arab Emirates

Neither this document nor the Shares have been approved, disapproved or passed on in any way by the Central Bank of the United Arab Emirates (**UAE**), the UAE Securities and Commodities Authority (**SCA**) or any other governmental authority in the UAE, nor has the Company received authorisation or licensing from the Central Bank of the UAE, the SCA or any other governmental authority in the UAE to market or sell the Shares within the UAE. No marketing of any financial products or services may be made from within the UAE and no subscription to any financial products or services may be consummated within the UAE. This document does not constitute and may not be used for the purpose of an offer or invitation. No services relating to the Shares, including the receipt of applications and/or the allotment or redemption of Shares, may be rendered within the UAE by the Company. Nothing contained in this document is intended to constitute UAE investment, legal, tax, accounting or other professional advice. Prospective investors should consult with an appropriate professional for specific advice rendered on the basis of their situation.

Additional Information

No offer or invitation to subscribe for Shares has been or will be rendered in, or to any persons in, or from, the Dubai International Financial Centre.

United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Conduct Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to “qualified investors” (within the meaning of section 86(7) of the FSMA) in the United Kingdom, and the Shares may not be offered or sold in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) of the FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received in connection with the issue or sale of the Shares has only been communicated or caused to be communicated and will only be communicated or caused to be communicated in the United Kingdom in circumstances in which section 21(1) of the FSMA does not apply to the Company.

In the United Kingdom, this document is being distributed only to, and is directed at, persons (i) who have professional experience in matters relating to investments falling within Article 19(5) (investment professionals) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 (**FPO**), (ii) who fall within the categories of persons referred to in Article 49(2)(a) to (d) (high net worth companies, unincorporated associations, etc.) of the FPO or (iii) to whom it may otherwise be lawfully communicated (together, **relevant persons**). The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

United States of America

This document may not be released or distributed in the United States. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States. Any securities described in this document have not been, and will not be, registered under the US Securities Act and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements under the US Securities Act and applicable US state securities laws.

8.14 Litigation

To the knowledge of the Directors, neither Ashley Services nor any of its subsidiaries is involved in any litigation that is material for the purposes of this Prospectus. The Directors are not aware of any circumstances that might reasonably be expected to give rise to such litigation.

8.15 Directors' responsibility and consent to lodgement

The Directors state that they have made all reasonable enquiries and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive, and that in respect of any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons having given their consent to the statements being included in this Prospectus in the form and context in which they are included, and having not withdrawn that consent before lodgement of this Prospectus with ASIC, or to the Directors' knowledge, before any issue of Shares pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may be reasonably expected to be known to likely investors or their professional advisers.

Each Director and each Existing Shareholder has consented to the lodgement of this Prospectus with ASIC and has not withdrawn that consent.

7 August 2014

Signed for and on behalf of Ashley Services Group Limited



Peter Turner
Chairman

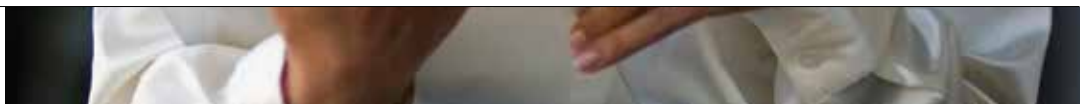
Signed for and on behalf of Ashley Services Group Limited and the Existing Shareholders



Ross Shrimpton
Managing Director



Summary of Key Accounting Policies



Summary of Key Accounting Policies

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 profit or loss when incurred.

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Ashley Services, including the ASG Companies, Concept and Integracom (**Group**).

Subsidiaries are all those entities (including special purpose entities) over which the Ashley Services has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to Ashley Services. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by Ashley Services.

Ashley Services applies a policy of treating transactions that do not result in a loss of control as transactions with equity owners to the Group. Disposals of non-controlling interest result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any

consideration paid and the relevant share acquired of the carrying value of identifiable net assets of the subsidiary.

Intercompany transactions, balances and unrealised gains on transactions between Group companies 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 Group.

a. Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

The value of goodwill recognised on acquisition of each subsidiary in which the Group holds a less than 100% interest will depend on the method adopted in measuring the non-controlling interest. The Group can elect in most circumstances to measure the non-controlling interest in the acquiree either at fair value, which is known as the full goodwill method, or at the non-controlling interest's proportionate share of the subsidiary's identifiable net assets, which is known as the proportionate interest method. In such circumstances, the Group determines which method to adopt for each acquisition and this is stated in the respective notes to these financial statements disclosing the business combination.

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

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or Group's 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.

b. 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 the 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.

c. Financial assets

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for shares in listed companies or the underlying net assets for other non-listed corporations.

d. Plant and equipment

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

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually 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.

Depreciation

The depreciable amount of all fixed assets, excluding freehold land, is depreciated on a diminishing value basis over the asset's useful life to the Company commencing from the time the asset is held ready for use.

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

Class of fixed asset	Depreciation rate
Computer equipment	37.5% - 40%
Office equipment	20%
Furniture and fittings	20%
Motor vehicles	18.75% - 30%
Training materials	18.75%
Leasehold improvements	20% - 40%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at end of each reporting period.

Summary of Key Accounting Policies

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.

e. 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, associates or jointly controlled entities, 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.

f. 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 national government bonds with terms to maturity that match the expected timing of cash flows.

g. 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.

h. 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.

i. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

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

Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of GST.

j. Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and 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.

k. 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.

l. Comparative figures

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

m. 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.

n. Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

Impairment – general

The Group assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

Glossary

Allotment means any Shares allotted by the Directors in their absolute discretion, applied for under an Application.

Applicant means an individual, corporation or other person applying for Shares under the Offer.

Application means a completed Application Form and Application Monies submitted by an Applicant.

Application Form means the application form accompanying this Prospectus.

Application Monies means monies accompanying an Application Form to be applied to the subscription of Shares under the Offer.

ASG Companies means companies owned by the Shrimpton Family and Marc Shrimpton as listed in section 3.2(1) which have been collectively operating as Ashley Services.

ASG Consolidation means the acquisition by Ashley Services of various companies owned by the Shrimpton Family and Marc Shrimpton by way of scrip on 1 July 2014.

ASG Integracom Company means ASG Integracom (Aust) Pty Ltd ACN 153 558 457, the company which will employ Carl Holmes to allow him to fulfil his duties as national telecommunications and security training manager and ASG training manager Western Australia.

Ashley Services or Company means Ashley Services Group Limited ACN 094 747 510.

ASIC means the Australian Securities and Investments Commission.

ASIC Act means *Australian Securities and Investments Commission Act 2001* (Cth).

ASX means the Australian Securities Exchange operated by ASX Limited ACN 008 624 691.

ASX Listing Rules means the listing rules of the ASX published at www.asx.com.au.

ASX Settlement means ASX Settlement Pty Limited ACN 008 504 532.

ASX Settlement Operating Rules means the settlement rule procedures of ASX Settlement.

ATO means the Australian Taxation Office.

Australian Qualifications Framework or AQF means is the national policy for regulated qualifications in Australian education and training. It incorporates the qualifications from each education and training sector into a single comprehensive national qualifications framework.

Blackadder means The Blackadder Recruitment Company Pty Limited ACN 086 799 715.

Board means the board of directors of Ashley Services.

Broker Firm Offer means the offer described in section 6.9.

Canaccord Genuity means Canaccord Genuity (Australia) Ltd ACN 075 071 466.

Chairman means the chairperson of the Board as elected by the Directors.

CHES means Clearing House Electronic Subregister System operated by ASX Settlement.

Closing Date means on or about 18 August 2014.

Concept means Concept Engineering (Aust) Pty. Ltd. ABN 42 073 583 669 and Concept Employment (Aust) Pty Ltd ABN 52 073 405 428.

Completion of the Offer means the completion of the Offer, being the date upon which Shares are issued in accordance with the terms of the Offer.

Constitution means the constitution of Ashley Services adopted on 18 February 2014, with effect from 11 April 2014, a summary of which is set out in section 8.2.

Corporate Market means the market for provision of training to corporate clients as described in section 2.3.3.

Corporations Act means the *Corporations Act 2001* (Cth).

Demand Driven Model or DDM means the national training entitlement for a government-subsidised training place to at least the first Certificate III qualification for working age Australians without qualifications as set out in section 2.2.3.

Director means a director of Ashley Services as referred to in section 2.7.1 of this Prospectus.

Due Diligence means the due diligence process conducted by Ashley Services in relation to the IPO.

Due Diligence Report means the report prepared by Norton Rose Fulbright Australia for Ashley Services Group in relation to its findings from Due Diligence.

Employee Performance Rights means the rights to Shares offered to certain employees of Ashley Services under the Employee Performance Rights Plan.

Employee Performance Rights Plan means the plan as set out in section 8.3.

Escrow Period means 2 years from Listing.

Evans and Partners means Evans and Partners Pty Ltd ABN 85 125 338 785.

Existing Shares means the existing Shares on issue as at the date of this Prospectus.

Existing Shareholders means holders of Shares as at the date of this Prospectus.

FY means financial year (1 July to 30 June).

GST means goods and services tax as defined in *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

Holmes means the Holmes Family Trust an entity controlled by Carl and Marie Holmes.

IPO means an initial public offering of Shares.

Institutional Investors means investors who are:

- investors to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality with which Ashley Services is willing to comply), including in Australia persons to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus under section 708 of the Corporations Act;
- institutional investors in certain other jurisdictions, as agreed by Ashley Services and the Joint Lead Managers to whom offers of Shares may lawfully be made without the need for a lodged or registered prospectus or other form of disclosure document or filing with, or approval by, any governmental agency (except one with which Ashley Services is willing in its discretion to comply); and
- provided that in each case, such investors are not in the United States.

Institutional Offer means the invitation to bid for Shares made to Institutional Investors in Australia, and a number of other eligible jurisdictions.

Integracom means Integracom Management Group Pty Ltd ACN 121 173 877 as trustee for Integracom Unit Trust ABN 71 613 507 395 or the business run by it, as the context requires.

Integracom Unit Sale and Purchase Agreement,

Integracom USPA or **USPA** means the Unit Sale and Purchase Agreement dated 24 June 2014 between Holmes Management Group Pty Ltd ACN 164 551 526 as trustee of the Holmes Family Trust ABN 36 027 661 378 (as seller), Carl Holmes and Marie Holmes (as seller guarantors and warrantors), Integracom Holdings Pty Limited ABN 20 088 413 370 (as purchaser) and Ashley Services Group Limited ABN 92 094 747 510 (as purchaser guarantor).

Integracom Vendor means Holmes.

Issue means either the issue of new Shares or transfer of existing Shares from Shrimpton Family in accordance with the Offer, as the context requires.

Issue Price means \$1.66 per Share.

Investigating Accountant means Grant Thornton Corporate Finance Pty Ltd ACN 003 265 987.

Investigating Accountant's Report means the report in respect of the historical financial information and the report in respect of the forecast financial information prepared by the Investigating Accountant and included in section 4.

Job Services Australia means the Australian Government employment services system that supports job seekers and employers.

Joint Lead Managers means Canaccord Genuity and Evans and Partners.

KPIs means Key Performance Indicators.

Labour Hire means the labour hire and recruitment business of Ashley Services, as described in section 2.5.

Legal Adviser means Norton Rose Fulbright Australia.

Listing means the commencement of trading in Shares on the Official List.

National Centre for Vocational Education Research or **NCVER** means National Centre for Vocational Education Research ABN 87 007 957 311.

National Privacy Principles means the National Privacy Principles as set out in the Privacy Act.

New Shares means the new Shares to be issued under the Offer.

Non-executive Director means a Director who does not carry out any day-to-day operations of Ashley Services.

NZCO means the Registrar of Companies as established under the New Zealand Companies Act 1993 and where the context permits, includes the Ministry of Business, Innovation and Employment of New Zealand.

NZ Mutual Recognition Regulations means *Securities (Mutual Recognition of Securities Offerings—Australia) Regulations 2008* (NZ).

NZSC means the New Zealand Securities Commission as defined in the Securities Act 1978 (NZ).

Offer means the offer of 59.5 million Shares at the Issue Price pursuant to this Prospectus.

Offer Documents means the Pathfinder, the Prospectus and the Applications Forms.

Offer Period means the time period between the Opening Date and the Closing Date of the Offer.

Official List means the official list of companies maintained by the ASX.

Opening Date means 11 August 2014.

Pathfinder means the draft Prospectus for the Offer that has been provided to Institutional Investors and brokers for the purposes of the roadshow and bookbuild.

Privacy Act means the *Privacy Act 1988* (Cth).

Prospectus means this replacement prospectus dated 7 August 2014, which replaces the Prospectus dated 1 August 2014, as modified or varied by any supplementary prospectus issued by Ashley Services.

Public Market means the market for provision of training in course open to the public as described in 2.3.3.

Share Registry means Link Market Services Limited ACN 083 214 537.

Shareholder means the registered holder of Shares.

Glossary

Shareholder Statements means the statements which are despatched to Shareholders after the Allotment.

Shares means fully paid ordinary shares in the capital of Ashley Services.

Shrimpton Family means Ross Shrimpton, Catherine Shrimpton and entities that are controlled by them, but excludes entities owned by Marc Shrimpton.

Smart and Skilled means a reform of the New South Wales VET system.

Syndicate Broker means the Joint Lead Managers and any ASX market participant selected by the Joint Lead Managers to participate in the Broker Firm Offer.

Training means the training business of Ashley Services, as described in section 2.3.

Underwriters means Canaccord Genuity and Evans and Partners.

US Securities Act means the US Securities Act of 1933.

WH&S means workplace health and safety.

Abbreviations

ABN means Australian Business Number as defined in the Corporations Act.

ACN means Australian Company Number as defined in the Corporations Act.

AEST means Australian Eastern Standard Time.

AIT means Ash Pty Ltd, trading as Ashley Institute of Training.

ASQA means Australian Skills Quality Authority.

CAPEX means capital expenditure.

CGT means Capital Gains Tax.

CHESS means the Clearing House Electronic Subregister System.

COAG means the Council of Australian Governments.

CRICOS means Commonwealth Register of Institutions and Courses for Overseas Students.

EBIT means earning before interest and tax.

EBITA means earning before interest, tax and amortisation of intangible assets.

EBITDA means earning before interest, tax, depreciation and amortisation.

HIN means the holder identification number provided to Shareholders for holdings registered on the CHESS subregister.

ISO means International Organisation for Standardization.

NPAT means net profit after tax.

NPATA means net profit after income tax but before amortisation of intangible assets.

NSNL means the National Skills Needs List.

RTO means Registered Training Organisation.

SRN means the securityholder reference number provided to Shareholders in the case of holdings registered on the issuer sponsored subregister.

TAFE means Technical and Further Education.

TFN means Tax File Number as defined in the *Income Tax Assessment Act 1936* (Cth).

VET means Vocational Education and Training.

VWAP means volume-weighted average price.



Broker Code

Adviser Code

Grid for Broker Code

Grid for Adviser Code

Broker Firm Offer Application Form

Applicants under the Broker Firm Offer must contact their broker for information on how to submit this Application Form and Application Monies. This Application Form relates to the Prospectus dated 7 August 2014 issued by Ashley Services Group Limited ("Ashley Services" or "Company") in relation to the initial public offering of fully paid ordinary shares in Ashley Services ("Shares"). The expiry date of the Prospectus is 13 months after 7 August 2014. This Application Form should be read in conjunction with the Prospectus. Capitalised words and certain terms used in this Application Form have the meanings given to them in the Prospectus.

This Application Form does not constitute an offer of securities in the United States or to any person to whom it would not be lawful outside Australia or New Zealand. The securities referred to herein have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States. Any securities described in, or sold pursuant to, this Application Form may not be offered or sold in the United States absent registration under the US Securities Act or pursuant to an applicable exemption from registration, or to any person to whom it would not be lawful outside Australia or New Zealand.

The Application Form must not be released or distributed in the United States, or in any jurisdiction outside of Australia and New Zealand where distribution may be restricted by law.

This Application Form is important. If you are in doubt as to how to deal with this Application Form, please contact your accountant, lawyer, stockbroker or professional adviser without delay. The Prospectus contains information relevant to a decision about investing in Shares. You should read the entire Prospectus carefully before completing this Application Form and applying for Shares. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by the Prospectus.

The Closing Date of the Broker Firm Offer is 5:00pm (AEST) on 18 August 2014.

Shares applied for

Price per Share

Application Monies

A [Grid] at **\$1.66** **B A\$** [Grid]

(The minimum application under the Broker Firm Offer is 1,500 Shares and in multiples of 500 Shares thereafter.)

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

Applicant #1 Surname/Company Name

C [Grid]

Title First Name Middle Name

[Grid]

Joint Applicant #2 Surname

[Grid]

Title First Name Middle Name

[Grid]

Designated account e.g. <Super Fund> (or Joint Applicant #3)

[Grid]

TFN/ABN/Exemption Code First Applicant

Joint Applicant #2

Joint Applicant #3

D [Grid]

TFN/ABN type – if NOT an individual, please mark the appropriate box Company Partnership Trust Super Fund

PLEASE COMPLETE ADDRESS DETAILS

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

E [Grid]

Unit Number/Level Street Number Street Name

[Grid]

Suburb/City or Town

State

Postcode

[Grid]

Email address (only for purpose of electronic communication of shareholder information)

[Grid]

CHESSE HIN (if you want to add this holding to a specific CHESSE holder, write the number here)

F **X** [Grid]

Please note: that if you supply a CHESSE HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESSE, your Application will be deemed to be made without the CHESSE HIN and any Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

Telephone number where you can be contacted during business hours

Contact name (PRINT)

G [Grid]

Cheques or bank drafts should be drawn up according to the instructions given by your broker.

Cheque or bank draft number

BSB

Account number

H [Grid]

Total Amount **A\$** [Grid]

LODGEMENT INSTRUCTIONS

You must return your Application Form so it is received by your Syndicate Broker by the deadline set out in their offer to you.

Registry communications to: Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235 Australia

Telephone (within and outside Australia): +61 1300 361 735

ASH BRO001

Your Guide to the Application Form

Please complete all relevant white sections of the Application Form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form. The Shares to which this Application Form relates are Ashley Services Group Limited ("Ashley Services" or "Company") Shares. Further details about the Shares are contained in the Prospectus dated 7 August 2014 issued by Ashley Services. The Prospectus will expire 13 months after 7 August 2014. While the Prospectus is current, Ashley Services will send paper copies of the Prospectus free of charge on request to eligible investors before the Closing Date. You can request a copy by telephoning the Share Registry on 1300 361 735, open from 8:30am to 5:30pm (AEST), Monday to Friday.

The Corporations Act prohibits any person from passing onto another person an Application Form in relation to the offer of Shares, unless the Application Form is attached to or accompanies a complete and unaltered copy of the Prospectus (or an electronic copy of this Prospectus). A person who gives another person access to the Application Form must at the same time and by the same means give the other person access to the Prospectus, and any supplementary or replacement prospectus. Applications for Shares will only be accepted if made on an Application Form that was attached to or accompanies the Prospectus (or in its paper copy form which may be downloaded in its entirety with the electronic form of the Prospectus on www.ashleyservicesgroup.com.au/prospectus). This Application Form is included in the Prospectus.

The Prospectus contains important information about investing in the Shares. You should read the Prospectus before applying for Shares.

- A** Insert the number of Shares you wish to apply for. The Application must be for a minimum of 1,500 Shares and thereafter in multiples of 500. You may be issued all of the Shares applied for or a lesser number.
- B** Insert the relevant amount of Application Monies. To calculate your Application Monies, multiply the number of Shares applied for by the Issue Price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.
- C** Write the full name you wish to appear on the register of Shares and on the statement of shareholding. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct registrable title. Applicants using the wrong form of names may be rejected. CHESS participants should complete their name identically to that presently registered in the CHESS system.
- D** Enter your TFN or exemption category. Business enterprises may alternatively quote their ABN. Where applicable, please enter the TFN or ABN for each joint Applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your Application. However, if these are not provided, Ashley Services will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.
- E** Please enter your postal address for all correspondence. All communications to you from Ashley Services and the Share Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- F** Ashley Services will apply to ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of ASX. In CHESS, the Company will operate an electronic CHESS Subregister of Share holdings and an electronic issuer sponsored subregister of Share holdings. Together the two subregisters will make up the Company's principal register of Shares. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated on SRN.
- G** Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application Form.
- H** Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B. If you receive a firm allocation of Shares from your broker make your cheque payable to your broker in accordance with their instructions.

Acknowledgements: I/we declare that by lodging this Application Form, I/we represent and warrant that I/we have read and understood the Prospectus to which this Application Form relates. I/we acknowledge that the price that successful Applicants in the Broker Firm Offer will pay will be the final price. By lodging this Application Form, I/we represent, warrant and agree that I/we am/are and each person on whose behalf I am/we are submitting this Application Form is named on the front of this Application Form and has a registered address in Australia or New Zealand and is not located in the United States and is not acting for the account or benefit of any person in the United States. I/we understand that the Shares have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States, and accordingly, the Shares may not be offered, sold or resold in the United States or in any other jurisdiction outside Australia or New Zealand except in transactions exempt from or not subject to registration under the US Securities Act and in compliance with all applicable laws in the jurisdiction in which such Shares are offered and sold. I/we have not, and I/we agree that I/we will not, send this Application Form or any materials relating to the Offer to any person in the United States; and I/we hereby authorise Ashley Services to complete and execute any documents necessary to effect transfer or allotment of any Shares.

Declaration: By submitting this Application Form, I/we declare, represent and warrant that this Application Form is completed and lodged in accordance with the Prospectus and subject to the declarations/statements in the Prospectus including, without limitation, those set out in Section 6.10 and this Application Form and declare that all declarations, details and statements made by me/us are complete and accurate. I/we agree to be bound by the Constitution of Ashley Services and the terms of the Offer and agree to the issue to me/us of any number of Shares equal to or less than the value indicated in section A above which may be issued to me/us pursuant to the Prospectus including, without limitation, the terms out in Section 6.10. It is not necessary to sign the Application Form. Any Application may be rejected without giving reasons, including where the Application Form is not properly completed or where a cheque submitted with the Application Form is dishonoured. If your Application Form is not completed correctly, is late or if the accompanying cheque is for the wrong amount, it may still be treated as valid. The minimum application under the Broker Firm Offer is 1,500 Shares and in multiples of 500 Shares thereafter. The decision as to whether to treat your Application as valid, and how to construe, amend or complete it, is final. An Application may be accepted in part only and Applicants may be allocated fewer Shares than the Applicant applied for. The decision on the number of Shares to be allocated to you is final. An Applicant will not, however, be treated as having offered to subscribe for a higher dollar value of Shares than are indicated on the Application Form. The allocation of firm stock to Syndicate Brokers was determined by the Joint Lead Managers, in agreement with Ashley Services. It will be a matter for the Syndicate Brokers as to how they make firm allocations among their Australian or New Zealand resident broker clients, and they (and not Ashley Services or the Joint Lead Managers) will be responsible for ensuring that broker clients who have received a firm allocation from them receive the relevant Shares. If an Application Form is rejected, or is accepted in part only, the Applicant will receive a refund of all or part of their Application Monies without interest (as applicable). No refunds pursuant to rounding will be provided.

Lodgement instructions: Applicants who receive a firm offer of Shares from their Syndicate Broker (as described in Section 6.10 of the Prospectus) should return their completed Application Form and Application Monies to the Syndicate Broker from whom they received their firm offer of Shares (unless instructed otherwise). The Broker Firm Offer opens on 11 August 2014 and is expected to close at 5:00pm (AEST) on 18 August 2014. Applications must be received by the Syndicate Broker before 5:00pm (AEST) on the Closing Date or any earlier date as determined by your Broker. Applicants must not return this Application Form to the Share Registry.

Neither Link Market Services Limited nor Ashley Services accepts any responsibility if you lodge the Application Form at any other address or by any other means. If you have any enquiries concerning your Application Form, please contact your broker or the Share Registry on 1300 361 735, open from 8:30am to 5:30pm (AEST), Monday to Friday.

Correct Forms of Registrable Names: Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the Application Form.

Personal Information Collection Notification Statement: Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am-5pm (AEST) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

Board Of Directors

Peter Turner	Non-executive Chairman
Ross Shrimpton	Managing Director
Simon Crean	Non-executive Director
Vincent Fayad	Executive Director and interim Chief Financial Officer

Company Secretary

Ron Hollands

Registered Office

Unit 2
11 Holbeche Road
Arndell Park NSW 2148

Website

www.ashleyservicesgroup.com.au

ASX Code

ASH

Joint Lead Managers To The Offer

Canaccord Genuity (Australia) Limited

Level 26
9 Castlereagh Street
Sydney NSW 2000
Telephone: +61 2 9263 2700
Facsimile: +61 2 9267 0806
Website: www.canaccordgenuity.com

Evans and Partners

Mayfair Building
171 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9631 9888
Facsimile: +61 3 8610 1608
Website: www.evansandpartners.com.au

Financial Adviser

PKF Lawler Corporate Finance Pty Limited

Level 9
1 O'Connell Street
Sydney NSW 2000
Telephone: +61 2 8346 6000
Facsimile: +61 2 8346 6099
Website: www.pkflawler.com.au

Legal Adviser

Norton Rose Fulbright Australia

Level 18
225 George Street
Sydney NSW 2000
Telephone: +61 2 9330 8000
Facsimile: +61 2 9330 8111
Website: www.nortonrosefulbright.com

Investigating Accountant

Grant Thornton Corporate Finance Pty Ltd

Level 17
383 Kent Street
Sydney NSW 2000
Telephone: +61 2 8297 2400
Facsimile: +61 2 9299 4445
Website: www.granthornton.com.au

Auditors

Grant Thornton Audit Pty Ltd

Level 17
383 Kent Street
Sydney NSW 2000
Telephone: +61 2 8297 2400
Facsimile: +61 2 9299 4445
Website: www.granthornton.com.au

Share Registry

Link Market Services Limited

Central Park, Level 4
152 St Georges Terrace
Perth WA 6000
Telephone: +61 1300 554 474
Facsimile: +61 2 9287 0303
Website: www.linkmarketservices.com.au



ASHLEY SERVICES GROUP

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