



# ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

## Appendix 4E

### Year Ended 3 July 2022

Lodged with the ASX under Listing Rule 4.3A

31 August 2022

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

#### 1. DETAILS OF REPORTING PERIODS:

The current reporting period is the 52 weeks to 3 July 2022. The previous corresponding reporting period was the 52 weeks from 5 July 2020 to 4 July 2021. The group works on a 4-4-5 week based calendar in line with the group's weekly reporting calendar. The consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position relates to Ashley Services Group Limited ("ASH" and its controlled entities).

#### 2. RESULTS FOR ANNOUNCEMENT TO THE MARKET:

##### Results:

|                                                            |    | Change % | Change | Amount<br>\$'000 |
|------------------------------------------------------------|----|----------|--------|------------------|
| Revenue from ordinary activities                           | Up | 17.2%    | To     | 449,776          |
| Profit after tax for the year                              | Up | 21.8%    | To     | 11,356           |
| Profit after tax for the year attributable to shareholders | Up | 26.8%    | To     | 11,315           |

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

##### Control gained over entities:

During the financial year ended 3 July 2022, the Group did not gain control over any new entities (2021: The Instruction Company Pty Ltd was acquired on 15 September 2020, with a financial effective date of 6 July 2020).

##### Loss of control over entities:

Not applicable.

##### Details of interests in significant joint ventures and associates:

On 22 June 2022, the Group acquired a 49% interest in Dardi Munwurro Labour and Traffic Management Pty Limited, a company providing Indigenous labour hire in Victoria.

##### Dividend re-investment plans:

Not applicable.

#### Dividends:

|                         | Record<br>Date   | Payment<br>Date   | Cents<br>per<br>Share | Franked Amount<br>per Share (Cents) |
|-------------------------|------------------|-------------------|-----------------------|-------------------------------------|
| Interim Dividend - 2022 | 3 March 2022     | 17 March 2022     | 3.0                   | 3.0                                 |
| Final Dividend - 2022   | 1 September 2022 | 16 September 2022 | 3.0                   | 3.0                                 |

#### Additional Information:

|                                           | 2022                | Restated 2021       |
|-------------------------------------------|---------------------|---------------------|
| Net tangible assets (\$000)               | 17,202 <sup>1</sup> | 15,067 <sup>1</sup> |
| Shares on Issue                           | 143,975,904         | 143,975,904         |
| <b>Net tangible assets per share (\$)</b> | <b>0.119</b>        | <b>0.105</b>        |

**Note:**

1. Right-of-use assets are excluded assets for the purposes of the Net Tangible Assets calculation.

#### Audit qualification or review:

The audited financial statements are attached.



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**Ross Shrimpton**

Managing Director

Sydney, 31 August 2022



ASHLEY SERVICES GROUP

LABOUR HIRE | RECRUITMENT | TRAINING

# ANNUAL REPORT

## 2022



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## Ashley Services Group Limited Annual Report 2022

|                                                                         |    |
|-------------------------------------------------------------------------|----|
| CHAIRMAN AND MANAGING DIRECTOR'S REVIEW                                 | 5  |
| DIRECTORS' REPORT                                                       | 8  |
| AUDITOR'S INDEPENDENCE DECLARATION                                      | 20 |
| CORPORATE GOVERNANCE STATEMENT                                          | 21 |
| DIRECTORS' DECLARATION                                                  | 22 |
| INDEPENDENT AUDITOR'S REPORT                                            | 23 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 28 |
| CONSOLIDATED STATEMENT OF FINANCIAL POSITION                            | 29 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY                             | 30 |
| CONSOLIDATED STATEMENT OF CASH FLOWS                                    | 31 |
| NOTES TO THE FINANCIAL STATEMENTS                                       | 32 |
| ASX ADDITIONAL INFORMATION                                              | 72 |
| CORPORATE DIRECTORY                                                     | 74 |

## Chairman and Managing Director's Review



### MR IAN PRATT AND MR ROSS SHRIMPTON

The financial year has proven to be a strong success, particularly considering the challenges associated with the pandemic, rising labour costs and overall shortages of skilled labour and staff. We continue to be well positioned to meet these challenges with strengthened management and systems allowing the Group to be highly competitive across all our market segments.

The year also saw us acquire a minority interest of 49% in Dardi Munwurro Labour and Traffic Management Pty Limited, a company providing Indigenous labour hire in Victoria. Subsequent to year end, the Group similarly acquired a non-controlling interest of 49% in Yalagan Infrastructure Pty Limited, a company supporting Indigenous labour hire in New South Wales. These new entities broaden Ashley Services labour hire offerings for Indigenous labour. Additionally, on 5 July 2022, the Group acquired a 75% interest in Linc Personnel Pty Limited, a company currently providing labour to the oil and gas sector in Western Australia and the Northern Territory. We continue to review potential acquisitions in line with our strategy to broaden our geographical and industry footprints in growing profitable sectors.

On 28 July 2022, the Group announced a fully franked final dividend of 3.0 cents per share (Ex-div: 31 August 2022; Payment: 16 September 2022). Together with the previously paid 3.0 cents per share interim dividend, this delivers a fully franked full year dividend of 6.0 cents per share for 2022, a 43% increase on the 2021 dividend.

We remain focused on continuing improvement in our core areas of strength; namely safety, customer satisfaction, systems and internal staff development as well as enhancing our marketing capability and improving labour retention. We are also committed to additional growth and value creation through the acquisition and successful integration of new businesses.

This years' achievement is again a testament to our 300 internal staff who are the backbone of our organisation's continuing success.

## Chairman and Managing Director's Review

### DISCUSSION ON RESULTS

#### Earnings

Net profit after tax ("**NPAT**") for the financial year ended 3 July 2022 was \$11.4 million (restated FY21: profit \$9.3 million). Key elements within the result include:

#### Revenues

Group Revenue at \$449.8 million increased by \$66.1 million (17%) from the comparative period.

Labour Hire revenues at \$438.2 million were up \$64.3 million (17%), with growth in all business lines except Concept Engineering. Growth was particularly strong in Action Workforce, predominantly in Victoria where hours worked with existing customers grew significantly.

Training revenues at \$11.5 million were up by \$1.8 million (19%) with growth achieved across both the Ashley and The Instruction Company ("**TIC**") training businesses.

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

Group EBITDA for the financial year was \$18.7 million, up by \$3.45 million (23%) on the prior corresponding period (restated FY21: EBITDA of \$15.25 million). EBITDA for the 2<sup>nd</sup> half ("**H2**") was \$9.4 million versus \$9.3 million for the first half ("**H1**") and \$8.65 million in the second half of FY21 (restated).

Labour Hire division EBITDA of \$21.7 million, was up \$4.2 million (24%) on the prior corresponding period (restated FY21: \$17.56 million), improving in line with the revenue increases. EBITDA margin increased slightly to 4.95% (restated FY21: 4.7%).

Training division EBITDA of \$1.5 million was down \$0.5 million or 25% on the prior corresponding period (FY21: \$2.0 million), with compliance costs increasing and classroom-based training continuing to be impacted by COVID-19.

Corporate overheads (excluding interest, depreciation and amortisation), at \$4.5 million were up \$0.2 million on prior corresponding period (FY21: \$4.3 million), primarily due to increases in the cost of insurance and salary inflation.

#### Statement of financial position

Net assets at \$31.5 million were up by \$3.5 million on the prior year (restated 2021: \$28.0 million) mainly reflecting the impact of our dividend policy which pays out approximately 75% of attributable profit to shareholders. The payout ratio for the current financial year was 76%.

Noteworthy balance sheet movements include:

- Trade Receivables up \$5.3 million to \$42.9 million. Debtors have increased in line with the revenue increases - revenue for May and June 22 was \$12 million (or 14%) above the prior period. Trade and other payables were up \$3.4 million to \$30.8 million reflecting the increased activity. Net working capital increased \$1.9 million, representing our expected increase in underlying working capital at a rate of 3%-4% of revenues.
- Other receivables increased \$5.7 million to \$12.7 million, mainly due to the increase in receivables due under the Boosting Apprenticeship Commencements Scheme ("**BAC**"). The collection of these receivables will benefit operating cash flows in the financial year ended 30 June 23.
- Property, plant and equipment increased \$0.8 million, with capital additions of \$1.4m above depreciation of \$0.5m and minimal disposals in the year.
- Borrowings increased \$4.2 million and cash decreased \$1.2 million, with total net debt increasing \$5.4 million during the year to fund the net working capital and other receivable increases, as well as the \$8.2 million of dividend payments and \$1.2 million in remaining CCL and TIC acquisition payments.

## Chairman and Managing Director's Review

### Cash Flow

Operating cash flow was stronger in H2, with an inflow of \$6.2 million (\$0.5 million H1), bringing the full year operating cash flow to \$6.7 million. Operating cash flow before income taxes and interest was \$11.65 million, \$7 million below EBITDA, due primarily to increased working capital requirements linked to revenue growth and the increase in other receivables.

The overall outflow from investing activities of \$2.8 million included the final earn out payments relating to the CCL and TIC acquisitions (\$0.825 million and \$0.375 million respectively) as well as normal stay in business capital requirements and course material development costs.

The overall outflow from financing activities of \$5.1 million was primarily due to the combined \$8.2 million dividend payments covering the 2021 final dividend (\$3.5 million), the 2022 interim dividend (\$4.3 million) and the 2021 final CCL final dividend to minority shareholders (\$0.46 million). Lease payments of \$1.1 million were in line with the prior period and borrowings increased \$4.2 million.

Overall, this delivered a net cash decrease in cash and cash equivalents for FY22 of \$1.2 million (2021: \$5.1 million outflow).

### DIVIDEND

On 28 July 2022 the Group declared a fully franked final dividend of 3.0 cents in relation to the financial year ended 3 July 2021. With a fully franked interim dividend of 3.0 cents previously declared on 2 February 2022, this brings the full year dividend for the financial year ended 3 July 2021 to a total of 6.0 cents, a 43% increase on the dividend for the prior financial year (FY21: 4.2 cents).

### EVENTS SUBSEQUENT TO BALANCE DATE

In addition to the dividend announcement outlined above, subsequent to year end the Group acquired:

1. a 75% interest in Linc Personnel Pty Limited for \$3.615 million. This company currently provides labour to the oil and gas sector in Western Australia and the Northern Territory; and
2. a non-controlling interest of 49% in Yalagan Infrastructure Pty Limited, a company supporting Indigenous labour hire in New South Wales.

Other than these items, no matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



**Ian Pratt**  
Chairman



**Ross Shrimpton**  
Managing Director

## Directors' Report

The Directors present their annual financial report on the consolidated entity, being Ashley Services Group Limited and its controlled entities ("**Group**") for the financial year ended 3 July 2022.

### 1. GENERAL INFORMATION

#### a. Directors

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

**Table 1: Director Details**

| Names             |                    | Appointed / Resigned                                                                                                                                     |
|-------------------|--------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Mr Ian Pratt      | Chairman           | Appointed 1 October 2015                                                                                                                                 |
| Mr Ross Shrimpton | Managing Director  | Appointed 12 Oct 2000; Managing Director ("MD") to 15 Feb 2016, Non-Executive Director 15 Feb 2016 to 23 Jan 2017 and Managing Director from 23 Jan 2017 |
| Mr Ron Hollands   | Director           | Appointed 22 June 2022, resigned 25 July 2022                                                                                                            |
| Mr Paul Brittain  | Executive Director | Appointed 25 July 2022                                                                                                                                   |
| Mr Chris McFadden | Executive Director | Appointed 6 April 2017; resigned 22 June 2022                                                                                                            |

#### Directors' Information

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



##### Qualifications | CA

**Experience** | Ian has over 40 years' experience in the accounting profession and is a Director of a number of Public and Private companies. During this time, he has been involved in the recruitment, finance and property industries, and advises on income tax and related matters. Currently Ian is a Partner at Pratt Partners and was previously a Director of Charter Hall Direct Property Management Limited.

Mr Pratt is a Member of Chartered Accountants Australia and New Zealand.

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

##### Mr Ross Shrimpton | MD (since 23 January 2017) (previously Non-Executive Director from 15 February 2016 to 23 Jan 2017 and MD to 15 February 2016)



##### Qualifications | BComm (UNSW), CA, MAICD

**Experience** | Ross is the founder and Managing Director of Ashley Services Group and has been instrumental in the overall growth and strategic direction of Ashley Services. Ross has over 40 years' experience in finance and management across a number of large international organisations such as CSR/Humes and David Brown, originally commencing his professional career with Deloitte Touche Tohmatsu. Overall, Ross has over 20 years of relevant experience in the labour hire and training industries.

Ross is a Member of Chartered Accountants Australia and New Zealand and a member of the Australian Institute of Company Directors.

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

## Directors' Report

**Mr Ron Hollands** | Executive Director (from 22 June 22 to 25 July 2022) & Company Secretary (for the entire financial year)



**Qualifications** | Bbus (UTS), ICAA, MBA (MGSM)

**Experience** | Ron is a Chartered Accountant and holds a Bachelor of Business from University of Technology, Sydney, an MBA from MGSM and a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia. Ron has over 30 years' experience in a range of industries.

**Mr Paul Brittain** | Executive Director (from 25 July 2022)



**Qualifications** | BSc (Exeter, UK), CA, AMP (Wharton)

**Experience** | Paul was appointed Chief Financial Officer and Executive Director of Ashley Services Group on 25 July 2022. Paul, a chartered accountant, worked with Touche Ross in the UK and Deloitte in Sydney, before spending nearly 30 years in large divisional CFO and M&A roles in the Construction Materials Industry (Rinker and Boral) and the Engineering and Industrial Sectors (UGL and Coates Hire), working throughout both Australia and the USA. Most recently Paul was the EGM Finance for Boral Australia. Paul was also previously CFO of Ashley Services Group from December 2014 to February 2017.

Paul is a Member of Chartered Accountants Australia and New Zealand.

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

**Mr Chris McFadden** | Executive Director (from 6 April 2017) & Company Secretary (from 26 August 2020); resigned 22 June 2022



**Qualifications** | Bbus (UTS), FCPA, GAICD

**Experience** | Chris was appointed Chief Financial Officer of Ashley Services Group in January 2017 and was appointed Executive Director in April 2017. Chris was formerly CFO at Ross Human Directions Limited (ASX: RHD), a company principally involved in the provision of temporary labour and recruitment services. Chris's previous roles include: CFO of sass & bide, CFO of Staples Australia, Senior Commercial Manager at Woolworths and Asia-Pac CFO of The Nuance Group.

Chris is a Fellow of CPA Australia and a Graduate of the Australian Institute of Company Directors.

Chris was a member of the Nominations, Audit & Risk Management and Remuneration Committees, up until his date of resignation.

## Directors' Report

### Interests in shares and options

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

**Table 2: Shares Held by Directors**

| Names             | Number of Shares Held | Shareholding % |
|-------------------|-----------------------|----------------|
| Mr Ian Pratt      | 15,060                | 0.01           |
| Mr Ross Shrimpton | 80,279,030            | 55.76          |
| Mr Ron Hollands   | 434,497               | 0.31           |
| Mr Paul Brittain  | -                     | 0.00           |
| Mr Chris McFadden | -                     | 0.00           |

### Directorships of other listed companies

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

**Table 3: Other Directorships of listed entities**

| Name              | Company | Date from | Date to |
|-------------------|---------|-----------|---------|
| Mr Ian Pratt      | Nil     | -         | -       |
| Mr Ross Shrimpton | Nil     | -         | -       |
| Mr Ron Hollands   | Nil     | -         | -       |
| Mr Paul Brittain  | Nil     | -         | -       |
| Mr Chris McFadden | Nil     | -         | -       |

#### a. Principal activities

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

#### Directors' meetings

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

**Table 4: Meeting Attendance**

|                   | Board Meetings |          | Audit & Risk Management Committee Meetings |          | Remuneration Committee Meetings |          | Nomination Committee Meetings |          |
|-------------------|----------------|----------|--------------------------------------------|----------|---------------------------------|----------|-------------------------------|----------|
|                   | Held           | Attended | Held                                       | Attended | Held                            | Attended | Held                          | Attended |
| Mr Ian Pratt      | 7              | 7        | 2                                          | 2        | -                               | -        | -                             | -        |
| Mr Ross Shrimpton | 7              | 7        | 2                                          | 2        | -                               | -        | -                             | -        |
| Mr Chris McFadden | 7              | 7        | 2                                          | 2        | -                               | -        | -                             | -        |

## Directors' Report

### 1. BUSINESS REVIEW

#### a. Operating results

The consolidated profit of the Group attributable to equity holders after providing for income tax amounted to \$11,356,000 (restated 2021: profit \$9,326,000).

#### b. Review of operations

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

#### c. Future developments

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

#### d. Events subsequent to reporting date

There have been no matters or circumstances that have arisen since the end of the year that would have significantly affected the group's operations in financial year 2022 except as follows:

On 28 July 2022 the Group declared a fully franked final dividend of 3.0 cents in relation to the financial year ended 3 July 2022, with a payment date of 16 September 2022.

On 5 July 2022, the Group acquired a 75% interest in Linc Personnel Pty Limited, a company currently providing labour to the oil and gas sector in Western Australia and the Northern Territory.

On 25 July 2022, the Group acquired a minority interest of 49% in Yalagan Infrastructure Pty Limited, a company supporting Indigenous labour hire in New South Wales.

#### e. Ongoing Litigation

Ashley Services Group Limited (ASH) has no current ongoing litigation.

### 2. OTHER INFORMATION

#### a. Options

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

#### b. Non-audit services

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

The current auditor, HLB Mann Judd Assurance (NSW) Pty Ltd, did not provide any non-audit services during the year ended 3 July 2022.

Details of the amounts paid to HLB Mann Judd Assurance (NSW) Pty Ltd for audit services provided during the year are outlined in Note 4 to the financial statements.

#### c. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20 and forms part of this report.

#### d. Environmental issues

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

#### e. Indemnifying officers or auditors

##### Insurance of officers

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

The insurance policies prohibit disclosure of the premiums payable under the policies and details of the insured liabilities.

#### f. Proceedings on behalf of the Company

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

#### g. Rounding off of amounts

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

## Directors' Report

### 3. REMUNERATION REPORT – AUDITED

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

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

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

#### a. Key management personnel

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

##### Executive Directors:

- Ross Shrimpton
- Chris McFadden (resigned 22 June 2022).

##### Non-Executive Directors:

- Ian Pratt
- Ron Hollands (appointed 22 June 2022, resigned 25 July 2022).

##### Other key management personnel:

- Paul Rixon (General Manager, Labour Hire, resigned 1 April 2022)
- Glen Everett (Chief Operating Officer, commenced 7 March 2022).

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

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

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

objectives and the creation of value for shareholders.

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

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

#### Alignment of shareholders' interest

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

#### Alignment to program participants' interests

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

The framework provides a mix of fixed and variable pay, including short term incentives.

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

#### Executive pay

The executive pay and reward framework has three components:

- base pay and benefits, including superannuation;
- short-term performance incentives, provided in cash; and
- Long-term performance incentives, to be provided in either cash or shares (at the company's sole discretion). Long-Term

## Directors' Report

performance plans have been suspended since 30 June 2017, but a new plan is expected to be put in place for certain key management personnel from the financial year ended 30 June 2023 onwards, to be presented for

review and approval by shareholders at the November 2022 annual general meeting. The combination of these comprises the executive's total remuneration.

**Table 5: Key components of senior executive remuneration framework in place during the year ended 3 July 2022.**

| Fixed Remuneration/Base Pay                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Short Term Incentive (STI)                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Base pay is determined by reference to appropriate benchmark information, taking into account an individual's responsibilities, performance, qualifications and experience, the broad objective being to pitch fixed remuneration at median market levels.</li> <li>Base pay is structured as a package, which may be delivered as a mix of cash and other benefits, such as the provision of a motor vehicle, at the executive's discretion.</li> <li>There are no guaranteed base pay increases in any executives' employment contracts.</li> </ul> | <ul style="list-style-type: none"> <li>'At risk' award opportunity for the achievement of annual performance objectives linked to annual financial targets and non-financial goals set by individual.</li> <li>Financial targets in line with budgets set for the individual's area of influence for the financial year, coupled with non-financial key performance measures.</li> <li>Paid in cash within 30 days of finalisation of Audited Annual Report.</li> </ul> |

**Table 6: Key features of the senior executive STI plan for FY22**

| Overview of the senior executive STI plan           |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Who participates in the Senior Executive STI plan?  | Senior executives, other than the MD, participate in the senior executive STI plan.                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                              |
| How much can executives earn?                       | STI opportunity for senior executives ranges from zero to 100% of target STI for significant out performance.                                                                                                                                           |                                                                                                                                                                                                                                                                                                              |
| Thresholds and performance conditions               |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                              |
| Is there a threshold level of performance required? | Yes. There are threshold levels for EBITDA that must be met to receive an STI payment. Achievement of the thresholds does not automatically entitle executives to an STI award. Financial performance measures must also be met to earn an STI payment. |                                                                                                                                                                                                                                                                                                              |
| What are the performance conditions?                | Measures                                                                                                                                                                                                                                                | Senior Executives                                                                                                                                                                                                                                                                                            |
|                                                     | <b>Financial measures</b><br>(80% of STI opportunity)                                                                                                                                                                                                   | Assessed against: <ul style="list-style-type: none"><li>• Budget EBITDA for the individual’s area of influence for the financial year.</li><li>• 20% payable for achievement of 80% of budget. Remaining 80% payable on a straight-line pro rata basis for performance from 80% to 130% of budget.</li></ul> |
|                                                     | <b>Non-Financial measures</b><br>(20% of STI opportunity)                                                                                                                                                                                               | <ul style="list-style-type: none"><li>• Individually set Key Performance Indicators.</li></ul>                                                                                                                                                                                                               |
| Setting and assessing performance                   |                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                              |
| Who sets and assesses performance?                  | The MD sets and assesses performance and short term incentive outcomes for senior executives with guidance from the Remuneration Committee.                                                                                                             |                                                                                                                                                                                                                                                                                                              |
| How is the STI delivered?                           | 100% of any STI award is paid in cash within 30 days of finalisation of the audited Annual Report.                                                                                                                                                      |                                                                                                                                                                                                                                                                                                              |

## Directors' Report

### STI plan for the financial year ended 30 June 2023

The remuneration committee has approved a similar Short Term Incentive (STI) plan for the year ended 30 June 2023, based upon budget targets for that annual period.

#### c. Non-executive Director remuneration and Board performance review

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

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

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

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

#### d. Details of executive remuneration

Details of remuneration of the Directors and other key management personnel of Ashley Services Group are set out in the tables on pages 14 to 18.

The key management personnel of Ashley Services Group are listed in the table below. The key management personnel have authority and responsibility for planning, directing and controlling activities of the Group.

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

**Table 7: Executive and Key Management Personnel Service Agreements**

| Name                                  | Base Salary \$ <sup>1</sup> | Target STI % <sup>2</sup> | Target LTI % <sup>2, 3, 4</sup> | Term of agreement | Notice Period |
|---------------------------------------|-----------------------------|---------------------------|---------------------------------|-------------------|---------------|
| Ross Shrimpton                        | 450,000                     | -                         | -                               | Ongoing           | 6 months      |
| Chris McFadden, resigned 22 June 2022 | 450,000                     | 50                        | 50                              | n/a               | 6 months      |
| Paul Brittain, appointed 25 July 2022 | 475,000                     | 30                        | To be determined                | Ongoing           | 6 months      |
| Paul Rixon, resigned 1 April 2022     | 299,849                     | 50                        | 50                              | n/a               | 6 months      |
| Glen Everett, appointed 7 March 2022  | 450,000                     | 30                        | To be determined                | Ongoing           | 6 months      |

**Note:**

1. Base salary is on an annual basis and includes superannuation contributions.
2. Maximum annual award as a percentage of annual salary.
3. This plan applicable for Chris McFadden and Paul Rixon has been suspended since the financial year ended 30 June 2017.
4. A new plan is expected to be put in place for Paul Brittain and Glen Everett for the financial year ended 30 June 2023 onwards, to be presented for review and approval by shareholders at the November 2022 annual general meeting.

## Directors' Report

**Table 8: Statutory key performance indicators of the group over the last five years**

|                                                                      | 2022          | 2021         | 2020  | 2019  | 2018  |
|----------------------------------------------------------------------|---------------|--------------|-------|-------|-------|
| Profit / (Loss) for the year attributable to shareholders (\$'000)   | <b>11,315</b> | <b>8,923</b> | 4,667 | 5,424 | 4,789 |
| Basic earnings per share (cents)                                     | <b>7.86</b>   | <b>6.20</b>  | 3.24  | 3.77  | 3.33  |
| Dividend payments (\$'000) <sup>1</sup>                              | <b>8,639</b>  | <b>6,047</b> | 3,887 | 3,887 | 3,600 |
| Dividend payout ratio (%)                                            | <b>76.3</b>   | <b>67.8</b>  | 83.3  | 71.7  | 75.1  |
| Increase / (decrease) in share price (%) <sup>2</sup>                | <b>43.4</b>   | <b>92.3</b>  | 0.0   | 33.3  | 204.7 |
| Total KMP incentives as percentage of profit/(loss) for the year (%) | <b>(0.1)</b>  | <b>3.9</b>   | 4.1   | 6.1   | 3.1   |

**Note:**

- 2022 Final Dividend declared 28 July 2022 in relation to the 2022 financial year, with payment date of 16 September 2022.  
2022 Interim Dividend declared 2 February 2022 in relation to the 2022 financial year, with payment date of 17 March 2022.  
2021 Final Dividend declared 27 July 2021 in relation to the 2021 financial year, with payment date of 17 September 2021.  
2021 Interim dividend declared 28 January 2021 in relation to the 2021 financial year, with payment date of 18 March 2021.  
2020 Dividend declared 27 July 2020 in relation to the 2020 financial year, with payment date of 11 September 2020.  
2019 Dividend declared 9 August 2019 in relation to the 2019 financial year, with payment date of 6 September 2019.  
2018 Dividend declared 26 July 2018 in relation to the 2018 financial year, with payment date of 17 August 2018.
- Increase / (decrease) in share price (%) is year-end share price relative to prior year-end.

**Table 9: 2022 – Remuneration of Key Management Personnel calculated in line with Australian Accounting Standards**

| 2022                                  | ST <sup>1</sup> employee benefits |                                         |                                      | PE <sup>2</sup> benefits | LT <sup>3</sup> employee benefits | Total <sup>4</sup> | Performance based Remuneration |
|---------------------------------------|-----------------------------------|-----------------------------------------|--------------------------------------|--------------------------|-----------------------------------|--------------------|--------------------------------|
| Name                                  | Cash salary & fees<br>\$          | Termination payments <sup>5</sup><br>\$ | ST <sup>1</sup> employee bonus<br>\$ | Super-annuation<br>\$    | \$                                | \$                 | %                              |
| <b>Non-executive Directors</b>        |                                   |                                         |                                      |                          |                                   |                    |                                |
| Ian Pratt                             | 205,479                           | -                                       | -                                    | 20,548                   | -                                 | <b>226,027</b>     | -                              |
| Ron Hollands                          | 10,000                            | -                                       | -                                    | 1,025                    | -                                 | <b>11,025</b>      | -                              |
| <b>Executive Director</b>             |                                   |                                         |                                      |                          |                                   |                    |                                |
| Ross Shrimpton                        | 426,432                           | -                                       | -                                    | 23,568                   | 10,624                            | <b>460,624</b>     | -                              |
| Chris McFadden <sup>5</sup>           | 426,432                           | 38,665                                  | (5,461)                              | 23,568                   | -                                 | <b>483,204</b>     | (1.12)                         |
| <b>Other key management personnel</b> |                                   |                                         |                                      |                          |                                   |                    |                                |
| Paul Rixon <sup>6</sup>               | 210,256                           | -                                       | (1,459)                              | 18,121                   | 4,452                             | <b>231,370</b>     | (0.63)                         |
| Glen Everett <sup>7</sup>             | 130,846                           | -                                       | -                                    | 7,856                    | -                                 | <b>138,702</b>     | -                              |
| <b>Total</b>                          | <b>1,409,445</b>                  | <b>38,665</b>                           | <b>(6,920)</b>                       | <b>94,686</b>            | <b>15,076</b>                     | <b>1,550,952</b>   | <b>(0.45)</b>                  |

**Note:**

- ST – Short-term. The amount shown for bonus expense represents the under or over-accrual for bonus payments in relation to the year ending 4 July 2021.
- PE – Post-employment.
- LT – Long-term. All previous LTI performance hurdles were not met and LTI plans have been suspended since 2017. No expense has been recognised in the profit or loss account for the year ended 3 July 2022. LT expense also includes accruals for Long Service Leave.
- Amounts included in the above table include amounts expensed within the Profit or Loss account for the year.
- Resigned, effective 22 June 2022, with a mutually agreed termination payment of \$38,665.
- Resigned, effective 1 April 2022.
- Commenced 7 March 2022.

## Directors' Report

**Table 10: 2022 – Remuneration payments for Key Management Personnel**

| 2022                                  | ST <sup>1</sup> employee benefits |                                         |                                      | PE <sup>2</sup> benefits | LT <sup>3</sup> employee benefits | Total <sup>4</sup> | Performance based Remuneration |
|---------------------------------------|-----------------------------------|-----------------------------------------|--------------------------------------|--------------------------|-----------------------------------|--------------------|--------------------------------|
| Name                                  | Cash salary & fees<br>\$          | Termination payments <sup>7</sup><br>\$ | ST <sup>1</sup> employee bonus<br>\$ | Super-annuation<br>\$    | \$                                | \$                 | %                              |
| <b>Non-executive Directors</b>        |                                   |                                         |                                      |                          |                                   |                    |                                |
| Ian Pratt                             | 205,479                           | -                                       | -                                    | 20,548                   | -                                 | <b>226,027</b>     | -                              |
| Ron Hollands <sup>5</sup>             | 10,000                            | -                                       | -                                    | 1,025                    | -                                 | <b>11,025</b>      | -                              |
| <b>Executive Director</b>             |                                   |                                         |                                      |                          |                                   |                    |                                |
| Ross Shrimpton <sup>6</sup>           | 426,432                           | -                                       | -                                    | 23,568                   | -                                 | <b>450,000</b>     | -                              |
| Chris McFadden <sup>7</sup>           | 426,432                           | 38,665                                  | 214,616                              | 23,568                   | -                                 | <b>703,281</b>     | 30.5                           |
| <b>Other key management personnel</b> |                                   |                                         |                                      |                          |                                   |                    |                                |
| Paul Rixon <sup>8</sup>               | 230,580                           | -                                       | 144,415                              | 18,121                   | 59,160                            | <b>452,276</b>     | 31.9                           |
| Glen Everett <sup>9</sup>             | 130,846                           | -                                       | -                                    | 7,856                    | -                                 | <b>138,702</b>     | -                              |
| <b>Total</b>                          | <b>1,429,769</b>                  | <b>38,665</b>                           | <b>359,031</b>                       | <b>94,686</b>            | <b>59,160</b>                     | <b>1,981,311</b>   | <b>18.1</b>                    |

**Note:**

1. ST – Short-term.
2. PE – Post-employment.
3. LT – Long-term. All previous LTI performance hurdles were not met and LTI plans have been suspended since 2017. No LTIs have been paid. Payments do include Long Service Leave payments.
4. Amounts included in the above table include amounts paid in the year to key management from all entities.
5. Appointed 22 June 2022, resigned 25 July 2022. During the year company secretarial fees of \$20,000 have also been paid to the Ron Holland Family Trust (in which Ron Hollands is a Trustee).
6. During the year rent and outgoings for the office at Arndell Park of \$141,286 have been paid to Shrimpton Holdings Pty Limited as trustee for the Shrimpton Family Trust (an entity controlled by Mr Ross Shrimpton).
7. Resigned, effective 22 June 2022, with a mutually agreed termination payment of \$38,665.
8. Resigned, effective 1 April 2022.
9. Commenced 7 March 2022.

## Directors' Report

**Table 11: 2021 – Remuneration of Key Management Personnel calculated in line with Australian Accounting Standards**

| 2021                                  | ST <sup>1</sup> employee benefits |                       |                                      | PE <sup>2</sup> benefits | LT <sup>3</sup> employee benefits | Total <sup>4</sup> | Performance based Remuneration |
|---------------------------------------|-----------------------------------|-----------------------|--------------------------------------|--------------------------|-----------------------------------|--------------------|--------------------------------|
| Name                                  | Cash salary & fees<br>\$          | Salary non-cash<br>\$ | ST <sup>1</sup> employee bonus<br>\$ | Super-annuation<br>\$    | \$                                | \$                 | %                              |
| <b>Non-executive Directors</b>        |                                   |                       |                                      |                          |                                   |                    |                                |
| Ian Pratt                             | 205,480                           | -                     | -                                    | 19,520                   | -                                 | <b>225,000</b>     | -                              |
| <b>Executive Director</b>             |                                   |                       |                                      |                          |                                   |                    |                                |
| Ross Shrimpton                        | 428,306                           | -                     | -                                    | 21,694                   | 9,197                             | <b>459,197</b>     | -                              |
| Chris McFadden                        | 428,306                           | -                     | 220,077                              | 21,694                   | -                                 | <b>670,077</b>     | 32.8                           |
| <b>Other key management personnel</b> |                                   |                       |                                      |                          |                                   |                    |                                |
| Paul Rixon                            | 270,054                           | -                     | 145,874                              | 21,694                   | 4,497                             | <b>442,119</b>     | 33.0                           |
| <b>Total</b>                          | <b>1,332,146</b>                  | -                     | <b>365,951</b>                       | <b>84,602</b>            | <b>13,694</b>                     | <b>1,796,393</b>   | <b>20.4</b>                    |

**Note:**

1. ST – Short-term.
2. PE – Post-employment.
3. LT – Long-term. All previous LTI performance hurdles were not met and LTI plans have been suspended since 2017. No expense has been recognised in the profit or loss account for the year ended 4 July 2021. LT expense also includes accruals for Long Service Leave.
4. Amounts included in the above table include amounts expensed within the Profit or Loss account for the year.

**Table 12: 2021 – Remuneration payments for Key Management Personnel**

| 2021                                  | ST <sup>1</sup> employee benefits |                       |                                      | PE <sup>2</sup> benefits | LT <sup>3</sup> employee benefits | Total <sup>4</sup> | Performance based Remuneration |
|---------------------------------------|-----------------------------------|-----------------------|--------------------------------------|--------------------------|-----------------------------------|--------------------|--------------------------------|
| Name                                  | Cash salary & fees<br>\$          | Salary non-cash<br>\$ | ST <sup>1</sup> employee bonus<br>\$ | Super-annuation<br>\$    | \$                                | \$                 | %                              |
| <b>Non-executive Directors</b>        |                                   |                       |                                      |                          |                                   |                    |                                |
| Ian Pratt <sup>5</sup>                | 205,480                           | -                     | -                                    | 19,520                   | -                                 | <b>225,000</b>     | -                              |
| <b>Executive Director</b>             |                                   |                       |                                      |                          |                                   |                    |                                |
| Ross Shrimpton <sup>6</sup>           | 428,306                           | -                     | -                                    | 21,694                   | -                                 | <b>450,000</b>     | -                              |
| Chris McFadden                        | 428,306                           | -                     | 81,096                               | 21,694                   | -                                 | <b>531,096</b>     | 15.3                           |
| <b>Other key management personnel</b> |                                   |                       |                                      |                          |                                   |                    |                                |
| Paul Rixon                            | 270,054                           | -                     | 54,049                               | 21,694                   | -                                 | <b>345,797</b>     | 15.6                           |
| <b>Total</b>                          | <b>1,332,146</b>                  | -                     | <b>135,145</b>                       | <b>84,602</b>            | -                                 | <b>1,551,893</b>   | <b>8.7</b>                     |

**Note:**

1. ST – Short-term.
2. PE – Post-employment.
3. LT – Long-term. All previous LTI performance hurdles were not met and LTI plans have been suspended since 2017. No LTIs have been paid.
4. Amounts included in the above table include amounts paid in the year to key management from all entities.
5. During the year tax advisory fees of \$41,904 have also been paid to Trood Pratt & Co (Company in which Ian Pratt was a Partner until 02 March 2021).
6. During the year rent and outgoings for the office at Arndell Park of \$138,061 have been paid to Shrimpton Holdings Pty Limited as trustee for the Shrimpton Family Trust (an entity controlled by Mr Ross Shrimpton).

## Directors' Report

### Other transactions with key management personnel

Information on share-based payments and other transactions with key management personnel is set out on the previous pages. Related party transactions are disclosed in Note 33.

#### e. Shares held by key management personnel

The number of ordinary shares in the Company during the 2022 reporting period held by each of the Group's key management personnel, including their related parties are set out below:

**Table 13: Shares held by Key Management Personnel**

| Name            | Balance at start of the period | Shares Disposed | Change from KMP | Balance at end of the period |
|-----------------|--------------------------------|-----------------|-----------------|------------------------------|
| Ian Pratt       | 15,060                         | -               | -               | 15,060                       |
| Ross Shrimpton  | 80,279,030                     | -               | -               | 80,279,030                   |
| Chris McFadden  | 699,999                        | (37,463)        | -               | 662,536                      |
| Mr Ron Hollands | 419,497                        | -               | 20,000          | 439,497                      |
| Paul Rixon      | 96,239                         | -               | -               | 96,239                       |
| Glen Everett    | -                              | -               | -               | -                            |
| <b>Total</b>    | <b>81,509,825</b>              | <b>(37,463)</b> | <b>20,000</b>   | <b>81,492,362</b>            |

#### f. Executive service agreements

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

All contracts with executives may be terminated by either party with a notice period as outlined in Table 7. Executives are typically restricted for twelve months after termination from conducting or engaging in competing businesses and from solicitation of customers and employees of the Company.

End of audited Remuneration Report.

### FUTURE PROSPECTS AND MATERIAL BUSINESS RISKS

The Group anticipates favourable conditions in the labour hire market in the financial year ended 30 June 2023, given the risk of COVID-19 related lockdowns has diminished, following the successful vaccination roll out programme across Australia. Government initiatives available during the pandemic have assisted the Group to service our clients and as these programme wind down, we will continue to leverage the credibility generated through our impressive ability to deliver to our customers during the pandemic and aim to increase share of wallet with existing customers as well as securing and integrating new clients.

Additionally, our continued investment in our candidate- and client-facing technology, including a candidate app, screening and on-boarding tools and client reporting portals, continues to enhance our competitive advantage. This, along with an increased investment in our marketing capability and online (including social media) exposure, will strengthen the position of our labour hire division.

Our construction-exposed labour hire brands should see improving market conditions as COVID-19 pressures lessen and we are well placed to increase our market position if this sector ramps up again to full capacity, particularly in the traditional construction sector. Additionally, our exposure to the infrastructure sector in Victoria should continue to provide us with a solid base of activity with possible upside from any increasing private construction project activity.

Margins will remain under pressure due to the competitive nature of the labour hire markets and inflationary pressures. We continue to review potential higher margin acquisitions and industry/geographic revenue mix.

## Directors' Report

Training has been relatively stable in terms of revenue over recent years apart from the lift due to the acquisition of The Instruction Company, effective July 2020. As elements of the public health response to COVID-19 have been relaxed, face-to-face classroom training and site-specific placement activity have returned. This would, if sustained, provide favourable conditions for our training division.

As with any organisation, our prospects may be impacted by risks. The impact may be positive or negative, depending on whether the risks materialise or recede. The following are thought to be the more relevant risks, although it is the view of the directors that none of these specific risks, nor any other potential risks, are of special significance at this point in time.

Changes in the regulatory environment are always a possibility and have the potential to create challenges for our business. This includes federal and state legislation relating to employment and award conditions, and also that relating to employment and training initiatives. With most of this legislation being foreshadowed in advance of any implementation, we continue to closely monitor any such changes and their likely implications for our business. This gives us an opportunity to participate in consultation processes and to be well placed to adapt as and when such changes may arise.

Employment market supply and demand tensions create both challenges and opportunities for our business model. Sourcing staff to supply the extra demands being created and the availability of candidates to fill this demand can create challenges in fulfilment, but the scarcity of suitable workers, in many ways, drives the demand from our customers. Our investment in our marketing capability and technology, both candidate- and client-facing, as outlined above, is being utilised to mitigate risk in this area.

There also remains uncertainty regarding how the COVID-19 pandemic will evolve, including the duration of the pandemic, the severity of the downturn and the speed of economic recovery. It is also difficult to predict the emergence of new variants of concern and the possible public health responses to them. We continue to monitor these events closely.

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



**Ian Pratt**

Chairman

Sydney, 31 August 2022

### Auditor's Independence Declaration

To the directors of Ashley Services Group Limited:

As lead auditor for the audit of the consolidated financial report of Ashley Services Group Limited for the year ended 3 July 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (b) any applicable code of professional conduct in relation to the audit.

This declaration is in relation to Ashley Services Group Limited and the entities it controlled during the period.



**Sydney, NSW**  
**31 August 2022**

**K L Luong**  
**Director**

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## Corporate Governance Statement

A Corporate Governance Statement has been adopted by the Board on 27 August 2021 and can be found at

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

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

### Diversity

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

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

|                               | Female     | Male       |
|-------------------------------|------------|------------|
| Directors & Senior Management | 36%        | 64%        |
| Corporate & Administration    | 83%        | 17%        |
| Labour Hire                   | 65%        | 35%        |
| Recruitment                   | 92%        | 8%         |
| Training                      | 52%        | 48%        |
| <b>Total</b>                  | <b>61%</b> | <b>39%</b> |

During the financial year ended 3 July 2022 the Company submitted its annual report to the Workplace Gender Equality Agency and is again compliant with the *Workplace Gender Equality Act 2012* (Act).

The performance of the Board and Senior Executives in the 2022 financial year has been reviewed against both quantitative and qualitative measures and Directors and Senior Executives provided feedback on the discharge of their responsibilities.

## Directors' Declaration

1. In the opinion of the Directors of Ashley Services Group Limited:
  - a. The consolidated financial statements and notes of Ashley Services Group Limited are in accordance with the *Corporations Act 2001*, including:
    - i. Giving a true and fair view of its financial position as at 3 July 2022 and of its performance for the financial year ended on that date; and
    - ii. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
  - b. There are reasonable grounds to believe that Ashley Services Group Limited will be able to pay its debts as and when they become due and payable; and
  - c. At the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 32 to the financial statements.
2. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the financial year ended 3 July 2022.
3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



**Ian Pratt**  
Chairman

Sydney, 31 August 2022

## **Independent Auditor's Report to the Members of Ashley Services Group Limited**

### **REPORT ON THE AUDIT OF THE FINANCIAL REPORT**

#### **Opinion**

We have audited the financial report of Ashley Services Group Limited ("the Company") and its controlled entities ("the Group"), which comprises the consolidated statement of financial position as at 3 July 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 3 July 2022 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* ("the Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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| Key Audit Matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Revenue Recognition</b><br>Refer to Note 1 (Accounting policies) and Note 2 (Revenue and other income)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>Labour hire revenue is the most significant account balance in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.</p> <p>Total revenue and other income of \$449.8 million comprises a number of streams including:</p> <ul style="list-style-type: none"> <li>labour hire revenue (\$438.2 million);</li> <li>training revenue (\$11.5 million); and</li> <li>other income (\$2 thousand).</li> </ul> <p>We focussed on this matter due to the size and magnitude of labour hire revenue, as well as the higher level of inherent risk due to the manual processes for inputting, calculating, reviewing, and recording of the labour hire revenue.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Documenting the design of the key revenue systems and processes and testing of the key controls.</li> <li>Assessing whether the Group's accounting policies were in compliance with Australian Accounting Standards and specifically whether revenue had been recognised in accordance with accounting standard AASB 15 Revenue from Contracts with Customers.</li> <li>Testing a sample of revenue transactions to assess appropriate revenue recognition under the Group's accounting policy and Australian Accounting Standards.</li> <li>Performing analytical review over recognised revenue and costs of sales.</li> <li>Analysis of revenue transactions using data analysis techniques.</li> <li>Comparing the accuracy of hours on-billed as labour hire revenue to amounts paid to employees.</li> <li>Testing the correct cut-off and accrual of labour hire revenue at year end.</li> </ul> |
| <b>Employment Costs</b><br>Refer to Note 1 (Accounting policies)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <p>Employment costs, both internal and allocated externally, is one of the most significant account balances in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.</p> <p>Total employment costs amount to \$421.7 million.</p> <p>We focussed on this matter due to the size and magnitude of employment costs, as well as the higher level of inherent risk due to the manual processes for the volume of inputting, calculating, reviewing, and recording of the employment costs.</p>                                                                                                                                                                   | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>Documenting the design of the key revenue systems and processes and testing of the key controls (for Labour Hire employees).</li> <li>Testing a sample of employment costs recognised in the period by agreeing to timesheets, payroll reports, and amounts subsequently paid.</li> <li>Performing analytical review over the labour hire margins.</li> <li>Analysis of payroll transactions using data analysis techniques.</li> <li>Testing the correct cut-off and accrual of employment costs at year end.</li> <li>Testing superannuation amounts paid by assessing the validity of the data in the contribution reports.</li> <li>Testing sample of registered apprentices' eligibility for wages subsidies.</li> </ul>                                                                                                                                                                           |

### Carrying Value of Goodwill

Refer to Note 15 (Intangible assets) and Note 16 (Impairment)

The Group has a Goodwill balance of \$10.7m as at 3 July 2022 in relation to the Labour Hire and Training divisions. This Goodwill arose on acquisition of subsidiary companies in prior years.

As required by Australian Accounting Standards the Group tested this Goodwill for impairment, at 3 July 2022.

The Group determined the recoverable amount using value in use calculations for the relevant cash generating units ("CGU") being that of Labour Hire and Training, which involved a significant level of judgement in respect of factors such as:

- Estimated future revenues and costs;
- Discount rates; and
- Terminal values.

We considered this to be a key audit matter due to the significant judgement involved in estimating the recoverable amount of the Goodwill and the potentially material impact on the financial report.

Our audit procedures included but were not limited to the following:

- Assessed the identification and determination of the Group's CGUs based on our understanding of the nature of the Group's business.
- Tested the integrity and mathematical accuracy of the discounted cash flow models used by management for value in use assessments.
- Evaluated and assessed key assumptions and methodologies applied to the underlying cashflow forecasts with reference to representations from management, documented business plans and historical results of the business operations.
- Assessed the Group's assumptions in developing the discount and terminal growth rates with reference to external sources.
- Performed sensitivity analysis and evaluated whether a reasonably possible change in assumptions could cause the carrying amount of a CGU to exceed its recoverable amount.
- Assessed the adequacy of disclosures included in Notes 15 and 16 to the financial statements.

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

The directors are responsible for the other information. The other information comprises the information included in the Group's Annual Report for the year ended 3 July 2022, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON THE REMUNERATION REPORT

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 18 of the directors' report for the year ended 3 July 2022.

In our opinion, the Remuneration Report of Ashley Services Group Limited for the year ended 3 July 2022 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



**HLB Mann Judd Assurance (NSW) Pty Ltd**  
Chartered Accountants

Sydney, NSW  
31 August 2022



**K L Luong**  
Director

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 3 July 2022

|                                                                    | Note      | 3 Jul 2022<br>\$000 | Restated<br>4 Jul 2021<br>\$000 |
|--------------------------------------------------------------------|-----------|---------------------|---------------------------------|
| Revenue                                                            | 2         | 449,776             | 383,672                         |
| Other income                                                       | 2         | 2                   | 334                             |
| Employment costs                                                   |           | (421,683)           | (361,212)                       |
| Depreciation and amortisation expense                              | 3         | (1,772)             | (1,785)                         |
| Finance costs                                                      | 3         | (831)               | (648)                           |
| Other expenses                                                     |           | (9,135)             | (7,298)                         |
| <b>Profit before income tax</b>                                    |           | <b>16,357</b>       | <b>13,063</b>                   |
| Income tax expense                                                 | 6         | 5,001               | 3,737                           |
| <b>Profit for the year</b>                                         |           | <b>11,356</b>       | <b>9,326</b>                    |
| Other comprehensive income                                         |           | -                   | -                               |
| <b>Total comprehensive income for the year</b>                     |           | <b>11,356</b>       | <b>9,326</b>                    |
| <b>Total comprehensive income for the year is attributable to:</b> |           |                     |                                 |
| Shareholders of Ashley Services Group Limited                      |           | 11,315              | 8,923                           |
| Non-controlling interests                                          |           | 41                  | 403                             |
|                                                                    |           | <b>11,356</b>       | <b>9,326</b>                    |
| <b>Basic earnings per share (cents)</b>                            | <b>25</b> | <b>7.86</b>         | <b>6.20</b>                     |
| <b>Diluted earnings per share (cents)</b>                          | <b>25</b> | <b>7.86</b>         | <b>6.20</b>                     |

*The accompanying notes form part of these financial statements.*

## Consolidated Statement of Financial Position As at 3 July 2022

|                                      | Note   | 3 Jul 2022<br>\$'000 | Restated 4 Jul 2021<br>\$'000 |
|--------------------------------------|--------|----------------------|-------------------------------|
| <b>Assets</b>                        |        |                      |                               |
| <b>Current assets</b>                |        |                      |                               |
| Cash and cash equivalents            | 8      | 1,739                | 2,969                         |
| Trade and other receivables          | 9      | 54,968               | 44,421                        |
| Current tax receivable               | 17     | 1,627                | -                             |
| Contract assets                      | 10     | 777                  | 791                           |
| Other assets                         | 11     | 2,255                | 2,035                         |
| <b>Total current assets</b>          |        | <b>61,366</b>        | <b>50,216</b>                 |
| <b>Non-current assets</b>            |        |                      |                               |
| Property, plant and equipment        | 12     | 2,050                | 1,247                         |
| Loans to associated entities         | 13     | 157                  | -                             |
| Right-of-use assets                  | 14     | 3,361                | 2,042                         |
| Deferred tax assets                  | 17     | 3,887                | 5,709                         |
| Intangible assets                    | 15, 16 | 10,976               | 10,848                        |
| Other assets                         |        | 81                   | 111                           |
| <b>Total non-current assets</b>      |        | <b>20,512</b>        | <b>19,957</b>                 |
| <b>Total assets</b>                  |        | <b>81,878</b>        | <b>70,173</b>                 |
| <b>Liabilities</b>                   |        |                      |                               |
| <b>Current liabilities</b>           |        |                      |                               |
| Trade and other payables             | 18     | 30,843               | 27,391                        |
| Borrowings                           | 21     | 5,305                | 1,090                         |
| Current tax payable                  | 17     | -                    | 1,083                         |
| Dividends payable                    |        | -                    | 460                           |
| Lease liabilities                    | 19     | 1,050                | 888                           |
| Other liabilities                    | 20     | -                    | 1,220                         |
| Provisions                           | 22     | 3,991                | 3,932                         |
| <b>Total current liabilities</b>     |        | <b>41,189</b>        | <b>36,064</b>                 |
| <b>Non-current liabilities</b>       |        |                      |                               |
| Deferred tax liabilities             | 17     | 4,028                | 2,341                         |
| Lease liabilities                    | 19     | 2,474                | 1,324                         |
| Other liabilities                    | 20     | 1,973                | 1,973                         |
| Provisions                           | 22     | 675                  | 514                           |
| <b>Total non-current liabilities</b> |        | <b>9,150</b>         | <b>6,152</b>                  |
| <b>Total liabilities</b>             |        | <b>50,339</b>        | <b>42,216</b>                 |
| <b>Net assets</b>                    |        | <b>31,539</b>        | <b>27,957</b>                 |
| <b>Equity</b>                        |        |                      |                               |
| Share capital                        | 23     | 148,815              | 148,815                       |
| Common control reserve               | 24     | (59,261)             | (59,261)                      |
| Accumulated losses                   |        | (57,999)             | (61,540)                      |
| Non-controlling interest             |        | (16)                 | (57)                          |
| <b>Total equity</b>                  |        | <b>31,539</b>        | <b>27,957</b>                 |

*The accompanying notes form part of these financial statements.*

## Consolidated Statement of Changes in Equity

For the financial year ended 3 July 2022

|                                                       | Share<br>Capital<br>\$000 | Common<br>Control<br>Reserve<br>\$000 | Accumulated<br>losses<br>\$000 | Non-<br>controlling<br>Interest<br>\$000 | Total<br>\$000 |
|-------------------------------------------------------|---------------------------|---------------------------------------|--------------------------------|------------------------------------------|----------------|
| <b>For the year ended 3 July 2022</b>                 |                           |                                       |                                |                                          |                |
| <b>Balance at 5 July 2021 (Restated)</b>              | <b>148,815</b>            | <b>(59,261)</b>                       | <b>(61,540)</b>                | <b>(57)</b>                              | <b>27,957</b>  |
| Profit for the year                                   | -                         | -                                     | 11,315                         | 41                                       | 11,356         |
| Other comprehensive income for the year               | -                         | -                                     | -                              | -                                        | -              |
| <b>Total comprehensive income for the year</b>        | <b>-</b>                  | <b>-</b>                              | <b>11,315</b>                  | <b>41</b>                                | <b>11,356</b>  |
| Dividends paid                                        | -                         | -                                     | (7,774)                        | -                                        | (7,774)        |
| <b>Balance at 3 July 2022</b>                         | <b>148,815</b>            | <b>(59,261)</b>                       | <b>(57,999)</b>                | <b>(16)</b>                              | <b>31,539</b>  |
| <b>For the year ended 4 July 2021 (Restated)</b>      |                           |                                       |                                |                                          |                |
| <b>Balance at 6 July 2020</b>                         | <b>148,815</b>            | <b>(59,261)</b>                       | <b>(63,724)</b>                | <b>-</b>                                 | <b>25,830</b>  |
| Prior Period Restatement (see Note 5)                 | -                         | -                                     | (261)                          | -                                        | (261)          |
| <b>Restated balance at 6 July 2020</b>                | <b>148,815</b>            | <b>(59,261)</b>                       | <b>(63,985)</b>                | <b>-</b>                                 | <b>25,569</b>  |
| Profit for the year                                   | -                         | -                                     | 9,150                          | 460                                      | 9,610          |
| Prior Restatement of Profit for the Year (see Note 5) | -                         | -                                     | (227)                          | (57)                                     | (284)          |
| Other comprehensive income for the year               | -                         | -                                     | -                              | -                                        | -              |
| <b>Total comprehensive income for the year</b>        | <b>-</b>                  | <b>-</b>                              | <b>8,923</b>                   | <b>403</b>                               | <b>9,326</b>   |
| Dividends paid                                        | -                         | -                                     | (6,478)                        | (460)                                    | (6,938)        |
| <b>Balance at 4 July 2021</b>                         | <b>148,815</b>            | <b>(59,261)</b>                       | <b>(61,540)</b>                | <b>(57)</b>                              | <b>27,957</b>  |

The accompanying notes form part of these financial statements.

## Consolidated Statement of Cash Flows

For the financial year ended 3 July 2022

|                                                               | Note      | 3 Jul 2022<br>\$000 | 4 Jul 2021<br>\$000 |
|---------------------------------------------------------------|-----------|---------------------|---------------------|
| <b>Operating activities</b>                                   |           |                     |                     |
| Receipts from customers                                       |           | 482,918             | 411,146             |
| Payments to suppliers and employees                           |           | (471,272)           | (401,767)           |
| Interest received                                             |           | 2                   | 116                 |
| Interest paid                                                 |           | (745)               | (448)               |
| Income taxes paid                                             |           | (4,201)             | (3,624)             |
| <b>Net cash from operating activities</b>                     | <b>27</b> | <b>6,702</b>        | <b>5,423</b>        |
| <b>Investing activities</b>                                   |           |                     |                     |
| Payments for property, plant and equipment                    |           | (1,375)             | (679)               |
| Payments for intangibles                                      |           | (351)               | (114)               |
| Proceeds from sale of property, plant and equipment           |           | 131                 | 19                  |
| CCL Group earn-out payment                                    |           | (825)               | (798)               |
| CCL Group retention payment                                   |           | -                   | (600)               |
| TIC earn-out payment                                          |           | (375)               | -                   |
| Payments for businesses acquired net of cash acquired         | <b>28</b> | -                   | (1,011)             |
| <b>Net cash used in investing activities</b>                  |           | <b>(2,795)</b>      | <b>(3,183)</b>      |
| <b>Financing activities</b>                                   |           |                     |                     |
| Net proceeds from external borrowings                         |           | 4,215               | 1,090               |
| Repayment of leasing liabilities                              |           | (1,117)             | (1,081)             |
| Dividends paid                                                |           | (8,235)             | (7,343)             |
| <b>Net cash used in financing activities</b>                  |           | <b>(5,137)</b>      | <b>(7,334)</b>      |
| <b>Net increase in cash and cash equivalents</b>              |           | <b>(1,230)</b>      | <b>(5,094)</b>      |
| Cash and cash equivalents at beginning of the financial year  |           | 2,969               | 8,063               |
| <b>Cash and cash equivalents at end of the financial year</b> | <b>8</b>  | <b>1,739</b>        | <b>2,969</b>        |

The accompanying notes form part of these financial statements.

## Notes to the Financial Statements

### Table of Contents

|     |                                      |    |
|-----|--------------------------------------|----|
| 1.  | ACCOUNTING POLICIES                  | 34 |
| 2.  | REVENUE AND OTHER INCOME             | 43 |
| 3.  | EXPENSES                             | 44 |
| 4.  | AUDITOR'S REMUNERATION               | 44 |
| 5.  | PRIOR PERIOD ADJUSTMENT              | 44 |
| 6.  | INCOME TAX EXPENSE                   | 45 |
| 7.  | KEY MANAGEMENT PERSONNEL DISCLOSURES | 45 |
| 8.  | CASH AND CASH EQUIVALENTS            | 46 |
| 9.  | TRADE AND OTHER RECEIVABLES          | 46 |
| 10. | CONTRACT ASSETS                      | 46 |
| 11. | OTHER ASSETS                         | 47 |
| 12. | PROPERTY, PLANT AND EQUIPMENT        | 47 |
| 13. | LOANS TO ASSOCIATED ENTITIES         | 48 |
| 14. | RIGHT-OF-USE ASSETS                  | 48 |
| 15. | INTANGIBLE ASSETS                    | 49 |
| 16. | IMPAIRMENT                           | 50 |
| 17. | TAX BALANCES                         | 52 |
| 18. | TRADE AND OTHER PAYABLES             | 53 |
| 19. | LEASE LIABILITIES                    | 53 |
| 20. | OTHER LIABILITIES                    | 54 |
| 21. | BORROWINGS                           | 54 |
| 22. | PROVISIONS                           | 55 |
| 23. | SHARE CAPITAL                        | 55 |
| 24. | COMMON CONTROL RESERVE               | 56 |
| 25. | EARNINGS PER SHARE                   | 56 |
| 26. | SEGMENT INFORMATION                  | 57 |
| 27. | CASH FLOW INFORMATION                | 58 |
| 28. | BUSINESS COMBINATION                 | 59 |
| 29. | FAIR VALUE MEASUREMENT               | 60 |
| 30. | CONTROLLED ENTITIES AND ASSOCIATES   | 62 |

## Notes to the Financial Statements

|     |                                          |    |
|-----|------------------------------------------|----|
| 31. | PARENT ENTITY DISCLOSURES .....          | 64 |
| 32. | DEED OF CROSS GUARANTEE .....            | 65 |
| 33. | RELATED PARTY TRANSACTIONS .....         | 68 |
| 34. | SECURED AND CONTINGENT LIABILITIES ..... | 68 |
| 35. | FINANCIAL INSTRUMENTS .....              | 68 |
| 36. | EVENTS AFTER THE REPORTING DATE .....    | 71 |
| 37. | DIVIDENDS .....                          | 71 |

## Notes to the Financial Statements

### 1. ACCOUNTING POLICIES

#### a. General information

The financial statements for the financial year ended 3 July 2022 cover Ashley Services Group Limited and its controlled entities ("**Ashley Services**" or the "**Group**"). Ashley Services Group is a public Company listed on the Australian Securities Exchange (trading under the symbol "**ASH**"), incorporated and domiciled in Australia.

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

#### b. Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board of Directors on 31 August 2022.

#### c. Basis of preparation

##### Historical cost

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

### Coronavirus (COVID-19) pandemic

The World Health Organisation declared a global pandemic in March 2020 as a result of the COVID-19. The impact of the crisis has had a significant economic impact. The critical accounting estimates and judgements of the Group have required additional consideration and analysis due to the impact of COVID-19. Given the uncertainty of the extent of the impact of the pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the financial year, the impacts of events that arise after the reporting period will be accounted for in future reporting periods.

### Rounding

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

#### d. Going concern

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

#### e. Adoption of new, revised or amending Accounting Standards and Interpretations

The Group adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

The new, revised or amending Accounting Standards and Interpretations adopted did not have a significant impact on the Group's financial statements.

## Notes to the Financial Statements

### f. New, revised or amending Accounting Standards and Interpretations issued but not yet mandatory

Any new, revised or amending Accounting Standards and Interpretations that have been published and are not mandatory for 3 July 2022 reporting periods and have not been early adopted by the Group.

These new, revised or amending Accounting Standards and Interpretations are not expected to have any material impact on the Group's financial report in future reporting periods based on the Group's current activities.

### g. Business combinations

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

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

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

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

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

### h. Basis of consolidation

The Group financial statements consolidate those of Ashley Services Group Limited and all of its subsidiaries as of 3 July 2022. Ashley Services Group Limited controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 3 July 2022.

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

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

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

### i. Revenue and other income

Revenue for both labour hire and training services is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring services to a customer. For each contract with a customer, the Group undertakes the following:

## Notes to the Financial Statements

- i. Identifies the contract with a customer
- ii. Identifies the performance obligations in the contract
- iii. Determines the transaction price which considers estimates of variable consideration and time value of money
- iv. Allocates the transaction price to the separate performance obligations based on the relative stand-alone selling price of each distinct service to be delivered
- v. Recognises revenue when, or as, each performance obligation is satisfied in a manner that depicts the transfer to the customer of the services promised.

All revenue is stated net of the amount of GST.

### Labour hire revenue

Labour hire revenue comprises the sourcing, engagement and placing of both temporary and permanent contractors. The sourcing, identification, submission and acceptance of contractors for specified roles at the customer are not considered to be distinct performance obligations from the contractor being engaged by ASH for an agreed period of time and deployed at the customer sites and are therefore, accounted for as a single performance obligation. As explained in accounting policy Note x. "Significant management judgement in Applying Accounting Policies", management has made a significant judgement to determine that the Group acts as principal in providing labour hire services to customers over the duration of contracts.

Labour hire revenue is recognised upon delivery of the service to the customers or in the instance of placement fees at the time the employee has been placed. Revenue from a contract to provide labour hire services is recognised over time as services are rendered based predominantly on an hourly rate.

### Training revenue

Revenue from a contract to provide training services is recognised over time as the services are rendered using the percentage of completion method that depicts the transfer to the customer of the services rendered.

### Interest revenue

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

### Dividend revenue

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

### Other income

Other income primarily includes State funding employer rebates earned in relation to specified categories of individuals.

### j. Government grants and subsidies

Government grants and subsidies relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants and subsidies are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. The Group has adopted the net method of accounting for government subsidies. Therefore, the government subsidies are recognised against Employment costs.

The most significant receipt during the period was for various Government Stimuli as a result of the Covid-19 pandemic, including Boosting Apprenticeship Commencements Program and Completing Apprenticeship Commencements Program.

Cashflows are reflected in receipts from customers for the monies received from the various government departments and payments to suppliers and employees for the payments to employees.

### k. Income tax

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

## Notes to the Financial Statements

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. The CCL Group companies being 80% owned are not part of this income tax consolidated group. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'standalone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to head entity. The group notified the Australian Taxation Office that it has formed an income tax consolidation group to apply from 1 July 2003. The income tax consolidated group has entered a tax funding arrangement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income.

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

### 1. 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

## Notes to the Financial Statements

with short term borrowings in current liabilities on the consolidated statement of financial position.

### m. Trade and other receivables

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

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

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

Expected credit losses are measured by the Group by applying a simplified approach which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

### n. Contract assets

Contract assets are recognised when the Group has transferred goods or services to the customer but where the Group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

### o. Property, plant and equipment

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

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

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

| Class of fixed assets  | Depreciation rate |
|------------------------|-------------------|
| Computer equipment     | 20 - 33%          |
| Office equipment       | 20 - 33%          |
| Furniture and fittings | 10%               |
| Motor vehicles         | 18.75 - 25%       |
| Training equipment     | 33%               |
| Leasehold improvements | 20 - 50%          |

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

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

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

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

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

### p. Intangible assets

#### Goodwill

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

## Notes to the Financial Statements

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

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

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

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

### Other intangibles

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

Estimated useful life of intangibles is as follows:

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

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

### q. Impairment of assets

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

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

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

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

### r. 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.

### s. Employee benefits

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

## Notes to the Financial Statements

with terms to maturity that match the expected timing of cash flows.

### t. 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.

### u. Borrowings

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

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

### v. Comparative figures

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

### w. 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 statement of financial position.

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

### x. Significant management judgement in applying accounting policies

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

#### Significant management judgement

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

#### Revenue recognition

The main area of judgement in revenue recognition relates to the recognition of labour hire arrangements where the Group acts on a principal (gross) basis rather than an agent (net) basis. The factors considered by the Directors, on a contract-by-contract basis, when concluding that the Group is acting as principal rather than agent are as follows:

- The customer has a direct relationship with the Group;
- The Group has the primary responsibility for providing the services to the customer and engages and contracts directly with the contractor; and
- The Group has latitude in establishing rates directly or indirectly with all parties.

#### Determination of Cash Generating Units for purpose of impairment reviews

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

#### Recognition of deferred tax assets

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

## Notes to the Financial Statements

income against which the deferred tax assets can be utilised.

### **Estimation uncertainty**

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

### **Impairment**

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate. Both future operating results and discount rates are discussed in Note 16.

### **Useful lives of depreciable assets**

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

### **Allowance for expected credit losses**

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

### **Long service leave provisions**

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

### **Long term incentive plan**

In determining the provision for senior management's long term incentive plan,

consideration is given to the probability the required "earnings per share" performance requirement being achieved to be remote, and therefore a provision has not been recognised in relation to this.

### **Workers Compensation Provisions**

In certain states premiums payable in relation to workers compensation insurance can vary and be retrospectively adjusted, up to a period of five years, by the insurer based on the annual wages, number of claims made and a range of other factors. In determining the worker compensation insurance provision (including in trade and other payables) at balance date consideration is given to the previous years' premium rates, retrospective adjustments and the current year gross wages.

### **Coronavirus (COVID-19) pandemic**

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the Group operations. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

### **y. Dividends**

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

### **z. Earnings per share**

#### **Basic earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, after deducting any costs of servicing equity other than ordinary shares, by the weighted average number of

## Notes to the Financial Statements

ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

### **Diluted earnings per share**

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

## Notes to the Financial Statements

### 2. REVENUE AND OTHER INCOME

|                              | 2022<br>\$000  | 2021<br>\$000  |
|------------------------------|----------------|----------------|
| <b>Operating activities:</b> |                |                |
| Labour hire revenue          | 438,246        | 373,963        |
| Training revenue             | 11,530         | 9,709          |
|                              | <b>449,776</b> | <b>383,672</b> |
| <b>Other income:</b>         |                |                |
| Interest received            | 2              | 117            |
| Sundry income                | -              | 217            |
|                              | <b>2</b>       | <b>334</b>     |

#### a. Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

| 2022                                    | Labour Hire<br>\$000 | Training<br>\$000 | Total<br>\$000 |
|-----------------------------------------|----------------------|-------------------|----------------|
| <b>Revenue</b>                          |                      |                   |                |
| From external customers                 | <b>438,246</b>       | <b>11,530</b>     | <b>449,776</b> |
| <b>Timing of revenue recognition</b>    |                      |                   |                |
| Services transferred over time          | 422,590              | 11,530            | 434,120        |
| Services transferred at a point in time | 15,656               | -                 | 15,656         |
|                                         | <b>438,246</b>       | <b>11,530</b>     | <b>449,776</b> |

| 2021                                    | Labour Hire<br>\$000 | Training<br>\$000 | Total<br>\$000 |
|-----------------------------------------|----------------------|-------------------|----------------|
| <b>Revenue</b>                          |                      |                   |                |
| From external customers                 | <b>373,963</b>       | <b>9,709</b>      | <b>383,672</b> |
| <b>Timing of revenue recognition</b>    |                      |                   |                |
| Services transferred over time          | 362,024              | 9,709             | 371,733        |
| Services transferred at a point in time | 11,939               | -                 | 11,939         |
|                                         | <b>373,963</b>       | <b>9,709</b>      | <b>383,672</b> |

## Notes to the Financial Statements

### 3. EXPENSES

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

|                                                                | 2022<br>\$000 | 2021<br>\$000 |
|----------------------------------------------------------------|---------------|---------------|
| <b>Depreciation</b>                                            |               |               |
| Motor vehicles                                                 | 133           | 86            |
| Office equipment                                               | 314           | 347           |
| Leasehold improvements                                         | 52            | 42            |
| Land and buildings right-of-use assets                         | 1,068         | 1,067         |
|                                                                | <b>1,567</b>  | <b>1,542</b>  |
| <b>Amortisation</b>                                            |               |               |
| Customer contracts and relationships                           | -             | 108           |
| Course material                                                | 205           | 135           |
|                                                                | <b>205</b>    | <b>243</b>    |
| <b>Finance costs</b>                                           |               |               |
| Interest and finance charges paid/payable on borrowings        | 505           | 453           |
| Interest and finance charges paid/payable on lease liabilities | 67            | 67            |
| Bank fees                                                      | 259           | 128           |
|                                                                | <b>831</b>    | <b>648</b>    |

### 4. AUDITOR'S REMUNERATION

|                                                                                                                         | 2022<br>\$     | 2021<br>\$     |
|-------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| <b>Auditor of the parent entity</b>                                                                                     |                |                |
| Audit and review of financial reports under the <i>Corporations Act 2001</i><br>- HLB Mann Judd Assurance (NSW) Pty Ltd | 189,500        | 186,250        |
| <b>Total Remuneration</b>                                                                                               | <b>189,500</b> | <b>186,250</b> |
| <b>Other entities</b>                                                                                                   |                |                |
| In addition to the above, the related entities detailed in Note 28 have also paid fees to the auditor(s) as follows:    |                |                |
| Audit of financial reports<br>- HLB Mann Judd Assurance (NSW) Pty Ltd                                                   | 53,000         | 55,250         |
|                                                                                                                         | <b>53,000</b>  | <b>55,250</b>  |

### 5. PRIOR PERIOD ADJUSTMENT

During the year ended 3 July 2022 management identified an under provisioning of current employee entitlements for labour hire employees, which spanned several financial years dating back to 2019. The cumulative effect of the adjustment was a reduction in Net Assets and Total Equity equal to \$545,000 over the effected period ending 4 July 2021.

The financial impact of the error over the restated comparative periods is as follows:

- For the year ended 4 July 2021 in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the employment costs increased by \$283,914 and profit for the year decreased by \$283,914.
- As at 4 July 2021 in the Consolidated Statement of Financial Position, Accumulated losses and current Provisions for employee entitlements increased by \$544,840.

## Notes to the Financial Statements

- For the year ended 5 July 2020 in the Consolidated Statement of Changes in Equity opening accumulated losses increased by \$260,926.
- There was no change to the Consolidated Statement of Cash Flows in any period.

### 6. INCOME TAX EXPENSE

#### a. Components of tax expense

|                                                                  | 2022<br>\$000 | 2021<br>\$000 |
|------------------------------------------------------------------|---------------|---------------|
| Current tax expense                                              | 3,499         | 3,363         |
| Deferred tax – origination and reversal of temporary differences | 1,405         | 561           |
| Under / (over) provision of tax in prior year                    | 97            | (184)         |
| – Change in tax rate – TIC                                       | -             | (3)           |
| <b>Income tax expense</b>                                        | <b>5,001</b>  | <b>3,737</b>  |

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

|                                                                                                     | 2022<br>\$000 | 2021<br>\$000 |
|-----------------------------------------------------------------------------------------------------|---------------|---------------|
| Net profit before tax from continuing operations                                                    | 16,357        | 13,347        |
| Prima facie tax expense on net profit from ordinary activities before income tax at 30% (FY21: 30%) | 4,907         | 4,004         |
| Add / (less) Tax effect of:                                                                         |               |               |
| – Entertainment                                                                                     | 14            | 10            |
| – Other                                                                                             | 1             | 3             |
| – Change in tax rate – TIC                                                                          | -             | (3)           |
| – Intangible assets                                                                                 | (18)          | (93)          |
| – Under / (over) provision of tax in prior year                                                     | 97            | (184)         |
| <b>Income tax expense</b>                                                                           | <b>5,001</b>  | <b>3,737</b>  |

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

### 7. KEY MANAGEMENT PERSONNEL DISCLOSURES

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

|                              | 2022<br>\$       | 2021<br>\$       |
|------------------------------|------------------|------------------|
| Short-term employee benefits | 1,441,190        | 1,698,097        |
| Long-term employee benefits  | 15,076           | 13,694           |
| Post-employment benefits     | 94,686           | 84,602           |
| <b>Total</b>                 | <b>1,550,952</b> | <b>1,796,393</b> |

#### b. Individual director and key management personnel disclosures

Detailed remuneration disclosures are included in the Directors' Report. The relevant information can be found in the Remuneration section of the Directors' Report on pages 14 to 18, Tables 7 to 12.

## Notes to the Financial Statements

### 8. CASH AND CASH EQUIVALENTS

|              | 2022<br>\$000 | 2021<br>\$000 |
|--------------|---------------|---------------|
| Cash on hand | 2             | 2             |
| Cash at bank | 1,737         | 2,967         |
|              | <b>1,739</b>  | <b>2,969</b>  |

### 9. TRADE AND OTHER RECEIVABLES

|                                      | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------------|---------------|---------------|
| <b>Current</b>                       |               |               |
| Trade receivables                    | 42,907        | 37,611        |
| Allowance for expected credit losses | (599)         | (193)         |
| Other receivables                    | 12,660        | 7,003         |
|                                      | <b>54,968</b> | <b>44,421</b> |

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

|                                                 | 2022<br>\$000 | 2021<br>\$000 |
|-------------------------------------------------|---------------|---------------|
| Current                                         | 33,411        | 34,514        |
| Past due 0 – 30 days (not considered impaired)  | 7,044         | 1,451         |
| Past due 31 – 60 days (not considered impaired) | 1,042         | 469           |
| Past due 60+ days (not considered impaired)     | 811           | 984           |
| Past due 60+ days (considered impaired (b))     | 599           | 193           |
|                                                 | <b>42,907</b> | <b>37,611</b> |

b. The movement in the allowance for expected credit losses in respect of trade receivables is detailed below

|                                                               | 2022<br>\$000 | 2021<br>\$000 |
|---------------------------------------------------------------|---------------|---------------|
| Balance at beginning of year                                  | 193           | 406           |
| Increase/(decrease) in allowance recognised in profit or loss | 463           | 164           |
| Amounts written-off                                           | (57)          | (377)         |
| <b>Balance at end of year</b>                                 | <b>599</b>    | <b>193</b>    |

The directors of Ashley Services Group Limited are of the opinion that there has been no material impact on the basis of determining the recoverability of trade and other receivables due to COVID-19 beyond the allowance for expected credit losses already provided for.

### 10. CONTRACT ASSETS

|                 | 2022<br>\$000 | 2021<br>\$000 |
|-----------------|---------------|---------------|
| <b>Current</b>  |               |               |
| Contract assets | 777           | 791           |
|                 | <b>777</b>    | <b>791</b>    |

## Notes to the Financial Statements

### a. Reconciliation of contract assets

|                        | 2022<br>\$000 | 2021<br>\$000 |
|------------------------|---------------|---------------|
| Opening balance        | 791           | 89            |
| Payments received      | (8,285)       | (6,200)       |
| Accruals               | 8,271         | 6,902         |
| <b>Closing balance</b> | <b>777</b>    | <b>791</b>    |

### 11. OTHER ASSETS

|                             | 2022<br>\$000 | 2021<br>\$000 |
|-----------------------------|---------------|---------------|
| <b>Current</b>              |               |               |
| Prepayments <sup>1</sup>    | 1,022         | 1,366         |
| Bank deposits               | 725           | 162           |
| Bank guarantee <sup>2</sup> | 508           | 507           |
|                             | <b>2,255</b>  | <b>2,035</b>  |

**Note:**

1. Prepayments include prepaid contract costs of \$nil (2021: \$543,003)
2. As at balance date the Group had bank guarantees of \$79,969 (2021: \$222,366) relating to property leases. The \$508,067 (2021: \$507,158) represents a restricted bank account to cover the Group's total available guarantee facility with BankWest of \$508,067.

### 12. PROPERTY, PLANT AND EQUIPMENT

|                                            | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------------------|---------------|---------------|
| <b>Motor vehicles</b>                      |               |               |
| Cost                                       | 1,190         | 797           |
| Accumulated depreciation                   | (504)         | (438)         |
|                                            | <b>686</b>    | <b>359</b>    |
| <b>Office equipment</b>                    |               |               |
| Cost                                       | 5,069         | 4,781         |
| Accumulated depreciation                   | (4,051)       | (4,212)       |
|                                            | <b>1,018</b>  | <b>569</b>    |
| <b>Leasehold improvements</b>              |               |               |
| Cost                                       | 1,816         | 1,598         |
| Accumulated depreciation                   | (1,509)       | (1,512)       |
|                                            | <b>307</b>    | <b>86</b>     |
| <b>Capital works in progress</b>           |               |               |
| Cost                                       | 39            | 233           |
|                                            | <b>39</b>     | <b>233</b>    |
| <b>Total property, plant and equipment</b> | <b>2,050</b>  | <b>1,247</b>  |

## Notes to the Financial Statements

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

|                               | Motor vehicles<br>\$000 | Office equipment<br>\$000 | Leasehold improvements<br>\$000 | Capital work in progress<br>\$000 | Total<br>\$000 |
|-------------------------------|-------------------------|---------------------------|---------------------------------|-----------------------------------|----------------|
| <b>2022</b>                   |                         |                           |                                 |                                   |                |
| Balance at 4 July 2021        | 359                     | 569                       | 86                              | 233                               | 1,247          |
| Additions/(transfers)         | 484                     | 812                       | 273                             | (194)                             | 1,375          |
| Disposals                     | (24)                    | (49)                      | -                               | -                                 | (73)           |
| Depreciation expense          | (133)                   | (314)                     | (52)                            | -                                 | (499)          |
| <b>Balance at 3 July 2022</b> | <b>686</b>              | <b>1,018</b>              | <b>307</b>                      | <b>39</b>                         | <b>2,050</b>   |

|                               | Motor vehicles<br>\$000 | Office equipment<br>\$000 | Leasehold improvements<br>\$000 | Capital work in progress<br>\$000 | Total<br>\$000 |
|-------------------------------|-------------------------|---------------------------|---------------------------------|-----------------------------------|----------------|
| <b>2021</b>                   |                         |                           |                                 |                                   |                |
| Balance at 5 July 2020        | 189                     | 643                       | 70                              | 158                               | 1,060          |
| Additions/(transfers)         | 265                     | 281                       | 58                              | 75                                | 679            |
| Disposals                     | (9)                     | (8)                       | -                               | -                                 | (17)           |
| Depreciation expense          | (86)                    | (347)                     | (42)                            | -                                 | (475)          |
| <b>Balance at 4 July 2021</b> | <b>359</b>              | <b>569</b>                | <b>86</b>                       | <b>233</b>                        | <b>1,247</b>   |

The Group's property, plant and equipment are encumbered by a General Security Agreement as security for the group's Invoice Financing capital facility (Refer Note 21).

### 13. LOANS TO ASSOCIATED ENTITIES

|                             | 2022<br>\$000 | 2021<br>\$000 |
|-----------------------------|---------------|---------------|
| Loan to Associated Entities | 157           | -             |
|                             | <b>157</b>    | <b>-</b>      |

**Note:**

- On 19 April 2022 the Group acquired a non-controlling interest of 49% in Dardi Munwurro Labour and Traffic Management Pty Limited, a company providing indigenous labour hire in Victoria, for \$49. The loan represents the working capital requirements of the associated entity to 3 July 2022.

### 14. RIGHT-OF-USE ASSETS

|                          | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------|---------------|---------------|
| Land and buildings       | 5,402         | 4,095         |
| Accumulated depreciation | (2,041)       | (2,053)       |
|                          | <b>3,361</b>  | <b>2,042</b>  |

**Note:**

- Additions to the right-of-use assets during the year were \$1,248,338.
- The Group leases land and buildings for its offices under agreements of between 1 to 5 years with, in some cases, options to extend.

## Notes to the Financial Statements

### 15. INTANGIBLE ASSETS

|                                                 | 2022<br>\$000 | 2021<br>\$000 |
|-------------------------------------------------|---------------|---------------|
| <b>Goodwill</b>                                 |               |               |
| Cost                                            | 71,558        | 71,558        |
| Acquisition TIC                                 | 1,654         | 1,654         |
| Accumulated impairment (note 16)                | (62,474)      | (62,474)      |
| <b>Net carrying value</b>                       | <b>10,738</b> | <b>10,738</b> |
| <b>Customer relationships/Licences</b>          |               |               |
| Cost                                            | 2,062         | 2,062         |
| Accumulated impairment (note 16)                | (918)         | (918)         |
| Accumulated amortisation                        | (1,144)       | (1,144)       |
| <b>Net carrying value</b>                       | <b>-</b>      | <b>-</b>      |
| <b>Brand names</b>                              |               |               |
| Cost                                            | 4,640         | 4,640         |
| Accumulated impairment (note 16)                | (4,640)       | (4,640)       |
| <b>Net carrying value</b>                       | <b>-</b>      | <b>-</b>      |
| <b>Intellectual property – course materials</b> |               |               |
| Cost                                            | 8,560         | 8,445         |
| Accumulated impairment (note 16)                | (3,896)       | (3,896)       |
| Accumulated amortisation                        | (4,426)       | (4,439)       |
| <b>Net carrying value</b>                       | <b>238</b>    | <b>110</b>    |
| <b>Total intangible assets</b>                  | <b>10,976</b> | <b>10,848</b> |

#### a. Intangible assets – detailed reconciliation

|                               | Goodwill<br>\$000 | Customer<br>Relationships<br>and Licences<br>\$000 | Brand<br>Names<br>\$000 | Intellectual<br>Property<br>\$000 | Total<br>\$000 |
|-------------------------------|-------------------|----------------------------------------------------|-------------------------|-----------------------------------|----------------|
| <b>2022</b>                   |                   |                                                    |                         |                                   |                |
| Balance at 4 July 2021        | 10,738            | -                                                  | -                       | 110                               | 10,848         |
| Additions                     | -                 | -                                                  | -                       | 333                               | 333            |
| Amortisation                  | -                 | -                                                  | -                       | (205)                             | (205)          |
| <b>Balance at 3 July 2022</b> | <b>10,738</b>     | <b>-</b>                                           | <b>-</b>                | <b>238</b>                        | <b>10,976</b>  |

|                               | Goodwill<br>\$000 | Customer<br>Relationships<br>and Licences<br>\$000 | Brand<br>Names<br>\$000 | Intellectual<br>Property<br>\$000 | Total<br>\$000 |
|-------------------------------|-------------------|----------------------------------------------------|-------------------------|-----------------------------------|----------------|
| <b>2021</b>                   |                   |                                                    |                         |                                   |                |
| Balance at 5 July 2020        | 9,084             | 108                                                | -                       | 130                               | 9,322          |
| Acquisition TIC               | 1,654             | -                                                  | -                       | -                                 | 1,654          |
| Additions                     | -                 | -                                                  | -                       | 115                               | 115            |
| Amortisation                  | -                 | (108)                                              | -                       | (135)                             | (243)          |
| <b>Balance at 4 July 2021</b> | <b>10,738</b>     | <b>-</b>                                           | <b>-</b>                | <b>110</b>                        | <b>10,848</b>  |

## Notes to the Financial Statements

### 16. IMPAIRMENT

#### a. Impairment

The consolidated entity tests whether goodwill and other intangible assets have suffered any impairment on an annual basis, or more frequently, if required.

There were no indicators of impairment in relation to either the Labour Hire division or the Training division at 3 July 2022.

#### Labour Hire division

The recoverable amount of the Labour Hire division has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management for FY23 and covering detailed forecasts for a further four years, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management. The present value of the expected after-tax cash flows has been determined by applying a suitable after-tax discount rate of 11.7 per cent. Cash flows after year 5 have been held constant, reflecting the competitive nature of the industry.

Management's key assumption is that revenue for the Labour Hire division (excluding any acquisitions post 3 July 2022) will increase by approximately 10% in FY23. EBITDA margin (before corporate overhead allocations) is forecast to decline by approximately 1 percentage point from 5% to 4% as government support programmes wind down and the Group works through contract renewals and business mix to sustain margin in the current competitive and inflationary environment.

#### Training division

The recoverable amount of the Training division has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial forecasts approved by management for FY23 and covering detailed forecasts for a further four years, followed by an extrapolation of expected cash flows for the units' remaining useful lives using the growth rates determined by management. The present value of the expected after-tax cash flows has been determined by applying a suitable after-tax discount rate of 11.7 per cent. Cash flows after year 5 have been held constant, reflecting the competitive nature of the industry.

Management's key assumption is that revenue for the Training division will increase by approximately 25% in FY23. EBITDA margin is forecast to return closer to historic levels of 18%-20% (before corporate overhead allocations), with FY22 impacted by COVID-19 inefficiencies and compliance costs.

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

|             | Terminal Growth rates |             | Post-tax discount rates |             |
|-------------|-----------------------|-------------|-------------------------|-------------|
|             | 3 July 2022           | 4 July 2021 | 3 July 2022             | 4 July 2021 |
| Labour Hire | 0%                    | 0%          | 11.7%                   | 9.8%        |
| Training    | 0%                    | 0%          | 11.7%                   | 9.8%        |

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

#### b. Impairment charges

As a result of the analysis, there is no need for any impairment charges in the FY22 results. The same analysis in the prior year resulted in no impairment charge being recorded in the FY21 results.

Movements in the net carrying amount of goodwill and other intangibles are presented in note 15.

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

## Notes to the Financial Statements

| 2022         | Goodwill<br>\$'000 | Customer<br>Relationships/<br>Licences<br>\$'000 | Brand Names<br>\$'000 | Intellectual<br>Property<br>\$'000 | Total<br>\$'000 |
|--------------|--------------------|--------------------------------------------------|-----------------------|------------------------------------|-----------------|
| Training     | 1,654              | -                                                | -                     | 238                                | <b>1,892</b>    |
| Labour Hire  | 9,084              | -                                                | -                     | -                                  | <b>9,084</b>    |
| <b>Total</b> | <b>10,738</b>      | -                                                | -                     | <b>238</b>                         | <b>10,976</b>   |

| 2021         | Goodwill<br>\$'000 | Customer<br>Relationships/<br>Licences<br>\$'000 | Brand Names<br>\$'000 | Intellectual<br>Property<br>\$'000 | Total<br>\$'000 |
|--------------|--------------------|--------------------------------------------------|-----------------------|------------------------------------|-----------------|
| Training     | 1,654              | -                                                | -                     | 110                                | <b>1,764</b>    |
| Labour Hire  | 9,084              | -                                                | -                     | -                                  | <b>9,084</b>    |
| <b>Total</b> | <b>10,738</b>      | -                                                | -                     | <b>110</b>                         | <b>10,848</b>   |

### c. Sensitivity analysis

Management has also run various sensitivity scenarios, primarily reviewing sensitivity of outcomes to FY23 EBITDA forecasts, long term growth rates and discount rates. In respect of reasonably possible changes in the key assumptions, with all other assumptions remaining constant, major sensitivities are summarised as follows:

| Change in VIU                                         | Labour hire CGU<br>\$'M | Impairment<br>\$'000 | Training CGU<br>\$'M | Impairment<br>\$'000 |
|-------------------------------------------------------|-------------------------|----------------------|----------------------|----------------------|
| Sustainable EBITDA margin; +/- \$0.5 million each CGU | +/-3.3                  | -                    | +/-3.3               | -                    |
| 1% increase or decrease in long term growth rate      | +/-4.1                  | -                    | +/-0.4               | -                    |
| 1% increase or decrease in post-tax discount rate     | +/-6.9                  | -                    | +/-0.5               | -                    |

## Notes to the Financial Statements

### 17. TAX BALANCES

|                                | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------|---------------|---------------|
| <b>Current assets</b>          |               |               |
| Income tax receivable          | 1,627         | -             |
| <b>Non-current assets</b>      |               |               |
| Deferred tax assets (a)        | 3,887         | 5,709         |
| <b>Current tax liabilities</b> |               |               |
| Income tax payable             | -             | 1,083         |
| <b>Non-current liabilities</b> |               |               |
| Deferred tax liabilities (a)   | 4,028         | 2,341         |

#### a. Deferred tax assets and liabilities

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

|                                           | Balance at<br>Beginning<br>of the Year<br>\$000 | Recognised in<br>Other<br>Comprehensive<br>Income<br>\$000 | Recognised<br>in Business<br>Combination<br>\$000 | Recognised<br>in Profit &<br>Loss<br>\$000 | Balance<br>at End of<br>the Year<br>\$000 |
|-------------------------------------------|-------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|--------------------------------------------|-------------------------------------------|
| <b>2022</b>                               |                                                 |                                                            |                                                   |                                            |                                           |
| <b>Current assets</b>                     |                                                 |                                                            |                                                   |                                            |                                           |
| Trade, other receivables and other assets | (2,041)                                         | -                                                          | -                                                 | (1,559)                                    | (3,600)                                   |
| Contract assets                           | (237)                                           | -                                                          | -                                                 | 4                                          | (233)                                     |
| <b>Non-current assets</b>                 |                                                 |                                                            |                                                   |                                            |                                           |
| Intangible assets                         | -                                               | -                                                          | -                                                 | -                                          | -                                         |
| Property, plant and equipment             | 238                                             | -                                                          | -                                                 | (380)                                      | (142)                                     |
| Right-of-use assets <sup>1</sup>          | 51                                              | -                                                          | -                                                 | (11)                                       | 40                                        |
| <b>Current liabilities</b>                |                                                 |                                                            |                                                   |                                            |                                           |
| Trade and other payables                  | 3,212                                           | -                                                          | -                                                 | (828)                                      | 2,384                                     |
| Provisions                                | 2,145                                           | -                                                          | -                                                 | (746)                                      | 1,399                                     |
| <b>2021 Tax loss carried forward</b>      |                                                 |                                                            |                                                   |                                            |                                           |
| Deferred tax asset                        | -                                               | -                                                          | -                                                 | 11                                         | 11                                        |
| <b>Total</b>                              | <b>3,368</b>                                    | <b>-</b>                                                   | <b>-</b>                                          | <b>(3,509)</b>                             | <b>(141)</b>                              |

**Note:**

1. This amount is net of lease liabilities.

## Notes to the Financial Statements

| 2021                                      | Balance at<br>Beginning<br>of the Year<br>\$000 | Recognised in<br>Other<br>Comprehensive<br>Income<br>\$000 | Recognised<br>in Business<br>Combination<br>\$000 | Recognised<br>in Profit &<br>Loss<br>\$000 | Balance<br>at End of<br>the Year<br>\$000 |
|-------------------------------------------|-------------------------------------------------|------------------------------------------------------------|---------------------------------------------------|--------------------------------------------|-------------------------------------------|
| <b>Current assets</b>                     |                                                 |                                                            |                                                   |                                            |                                           |
| Trade, other receivables and other assets | (510)                                           | -                                                          | -                                                 | (1,531)                                    | (2,041)                                   |
| Contract assets                           | (46)                                            | -                                                          | -                                                 | (191)                                      | (237)                                     |
| <b>Non-current assets</b>                 |                                                 |                                                            |                                                   |                                            |                                           |
| Intangible assets                         | (32)                                            | -                                                          | -                                                 | 32                                         | -                                         |
| Property, plant and equipment             | 296                                             | -                                                          | -                                                 | (58)                                       | 238                                       |
| Right-of-use assets <sup>1</sup>          | 28                                              | -                                                          | -                                                 | 23                                         | 51                                        |
| <b>Current liabilities</b>                |                                                 |                                                            |                                                   |                                            |                                           |
| Trade and other payables                  | 3,198                                           | -                                                          | -                                                 | 989                                        | 4,187                                     |
| Provisions                                | 943                                             | -                                                          | -                                                 | 227                                        | 1,170                                     |
| <b>2020 Tax loss carried forward</b>      |                                                 |                                                            |                                                   |                                            |                                           |
| Deferred tax asset                        | 52                                              | -                                                          | -                                                 | (52)                                       | -                                         |
| <b>Total</b>                              | <b>3,929</b>                                    | <b>-</b>                                                   | <b>-</b>                                          | <b>(561)</b>                               | <b>3,368</b>                              |

### 18. TRADE AND OTHER PAYABLES

|                      | 2022<br>\$000 | 2021<br>\$000 |
|----------------------|---------------|---------------|
| <b>Current</b>       |               |               |
| Trade payables       | 8,314         | 5,205         |
| Accrued expenses     | 6,534         | 6,197         |
| GST payable          | 4,044         | 4,321         |
| Workers compensation | 2,042         | 581           |
| Sundry creditors     | 9,909         | 11,087        |
|                      | <b>30,843</b> | <b>27,391</b> |

Average credit period on purchases of products and services is 30 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure payables are paid within credit time frame.

### 19. LEASE LIABILITIES

|             | 2022<br>\$000 | 2021<br>\$000 |
|-------------|---------------|---------------|
| Current     | 1,050         | 888           |
| Non-current | 2,474         | 1,324         |
|             | <b>3,524</b>  | <b>2,212</b>  |

## Notes to the Financial Statements

### 20. OTHER LIABILITIES

|                                                | 2022<br>\$000 | 2021<br>\$000 |
|------------------------------------------------|---------------|---------------|
| <b>Current</b>                                 |               |               |
| CCL Contingent Consideration – Earn Out Year 2 | -             | 825           |
| The Instruction Company Deferred Consideration | -             | 375           |
| Other                                          | -             | 20            |
| <b>Other liabilities (Current)</b>             | -             | <b>1,220</b>  |
| <b>Non-current</b>                             |               |               |
| Redemption Liability                           | 1,973         | 1,973         |
| <b>Other liabilities (Non-current)</b>         | <b>1,973</b>  | <b>1,973</b>  |

#### Redemption Liability

The redemption liability is a Put Option which represents a contractual obligation to purchase a non-controlling interest and originated from a previous business combination to acquire the CCL Group. The liability is a financial liability and has been measured at the present value of the redemption amount or the put option consideration amount in accordance with the underlying CCL Group Share Sale and Purchase Agreement.

The Put Option can be exercised by any of the Remaining Shareholders (acting independently of the others):

- at any time upon the occurrence of a Control Event in respect of Ashley Services Group Limited;
- with the Extended EBAs in respect of both CTS and CCL having now been entered into (during January 2021) – at any time after 20 December 2022;

The Put Option expires 20 years after Completion but the Purchaser has the right to reduce this to 10 years.

### 21. BORROWINGS

| 2022                          | Available facility<br>\$000 | Facility used<br>\$000 | Remaining facility<br>\$000 |
|-------------------------------|-----------------------------|------------------------|-----------------------------|
| Invoice Financing             | 25,000                      | 5,305                  | 19,695                      |
| Bank Bill Business Loan       | 10,000                      | -                      | 10,000                      |
| <b>Balance at 3 July 2022</b> | <b>35,000</b>               | <b>5,305</b>           | <b>29,695</b>               |

| 2021                          | Available facility<br>\$000 | Facility used<br>\$000 | Remaining facility<br>\$000 |
|-------------------------------|-----------------------------|------------------------|-----------------------------|
| Invoice Financing             | 13,000                      | 679                    | 12,321                      |
| Bank Bill Business Loan       | 4,375                       | 411                    | 3,964                       |
| <b>Balance at 4 July 2021</b> | <b>17,375</b>               | <b>1,090</b>           | <b>16,285</b>               |

#### Facilities

During the financial year ended 3 July 2022, Ashley Services Group Limited increased its borrowing capacity with the Westpac Banking Corporation. The facilities include all transactional banking requirements as well as a \$35 million financing facility, comprised of a \$25 million Invoice Financing facility and a \$10 million Bank Bill Business Loan (Reduces quarterly by \$500,000 per quarter, with a term of 3 years and any remaining outstanding balance payable at that term end).

The Westpac facility is subject to a Security which includes:

- 1<sup>st</sup> ranking General Security Agreement over the assets and undertakings of the Borrower and its Guarantors (Ashley Services Group Limited and its trading controlled entities); and

## Notes to the Financial Statements

- Flawed Asset Arrangement – Deposit of Action Workforce Pty Ltd, Construction Contract Labour (VIC) Pty Ltd and Concept Engineering (AUST) Pty Ltd for Invoice Finance Facility collections.

As at 3 July 2022, the combined Bank Bill Business Loan and the Invoice Financing facility were drawn to \$5.305 million (4 July 2021; \$1.09 million).

### 22. PROVISIONS

|                                 | 2022<br>\$000 | Restated<br>2021<br>\$000 |
|---------------------------------|---------------|---------------------------|
| <b>Current</b>                  |               |                           |
| Employee benefits (a)           | 3,952         | 3,882                     |
| Make good provisions for leases | 39            | 50                        |
| <b>Total</b>                    | <b>3,991</b>  | <b>3,932</b>              |
| <b>Non-current</b>              |               |                           |
| Employee benefits (a)           | 479           | 414                       |
| Make good provisions for leases | 196           | 100                       |
| <b>Total</b>                    | <b>675</b>    | <b>514</b>                |

#### b. Reconciliation of employee provisions

|                                            | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------------------|---------------|---------------|
| Opening balance                            | 4,296         | 3,030         |
| TIC at 6 July 2020                         | -             | 137           |
| Less: leave taken during the year          | (3,395)       | (3,136)       |
| Add: leave provided for during the year    | 3,530         | 3,981         |
| Add: Prior Period Restatement (see note 5) | -             | 284           |
| <b>Closing balance</b>                     | <b>4,431</b>  | <b>4,296</b>  |

### 23. SHARE CAPITAL

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

|                                                            | 2022<br>\$000  | 2021<br>\$000  |
|------------------------------------------------------------|----------------|----------------|
| 143,975,904 (FY21: 143,975,904) fully paid ordinary shares | 154,234        | 154,234        |
| Share issue costs                                          | (5,419)        | (5,419)        |
| <b>Share capital</b>                                       | <b>148,815</b> | <b>148,815</b> |

#### a. Ordinary shares

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

## Notes to the Financial Statements

### 24. COMMON CONTROL RESERVE

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

- ADV Services Pty Limited;
- Ashley Institute Holdings Pty Limited;
- TBRC Holdings Pty Limited;
- Tracmin Pty Limited; and
- Australian Institute of Vocational Development Pty Limited; and
- CCL Group (Construction Contract Labour (VIC) Pty Ltd, Complete Traffic Services (VIC) Pty Ltd and VIC Traffic and Labour Solutions Pty Ltd)

### 25. EARNINGS PER SHARE

|                                                                                                                     | 2022        | Restated<br>2021 |
|---------------------------------------------------------------------------------------------------------------------|-------------|------------------|
| Profit after tax for the year attributable to shareholders (\$'000)                                                 | 11,315      | 8,923            |
| Weighted number of ordinary shares outstanding during the year used in calculating basic earnings per share (EPS)   | 143,975,904 | 143,975,904      |
| Weighted number of ordinary shares outstanding during the year used in calculating diluted earnings per share (EPS) | 143,975,904 | 143,975,904      |
| Basic earnings per share (cents)                                                                                    | 7.86        | 6.20             |
| Diluted earnings per share (cents)                                                                                  | 7.86        | 6.20             |

## Notes to the Financial Statements

### 26. SEGMENT INFORMATION

The Group's management identifies two operating segments, Labour Hire and Training, representing the main products and services provided by the Group. During the financial year ended 3 July 2022, there have been no changes from prior periods in the measurement methods used to determine operating segments and reported segment profit or loss. The revenues and profit generated by each of the Group's operating segments are summarised as follows:

| 2022                                           | Labour Hire<br>\$000             | Training<br>\$000 | Total<br>\$000             |
|------------------------------------------------|----------------------------------|-------------------|----------------------------|
| <b>Revenue</b>                                 |                                  |                   |                            |
| From external customers                        | 438,246                          | 11,530            | 449,776                    |
| <b>Segment revenue</b>                         | <b>438,246</b>                   | <b>11,530</b>     | <b>449,776</b>             |
| Other income                                   | (5)                              | 7                 | 2                          |
| Employment costs                               | (410,477)                        | (8,626)           | (419,103)                  |
| Depreciation and amortisation expense          | (744)                            | (913)             | (1,657)                    |
| Finance costs                                  | (174)                            | (24)              | (198)                      |
| Other expenses                                 | (5,979)                          | (1,385)           | (7,364)                    |
| <b>Segment Profit</b>                          | <b>20,867</b>                    | <b>589</b>        | <b>21,456</b>              |
| Unallocated items                              |                                  |                   | (5,099)                    |
| <b>Profit before income tax</b>                |                                  |                   | <b>16,357</b>              |
| Income tax expense                             |                                  |                   | (5,001)                    |
| <b>Profit after income tax</b>                 |                                  |                   | <b>11,356</b>              |
| Other comprehensive income                     |                                  |                   | -                          |
| <b>Total comprehensive income for the year</b> |                                  |                   | <b>11,356</b>              |
| 2021                                           | Restated<br>Labour Hire<br>\$000 | Training<br>\$000 | Restated<br>Total<br>\$000 |
| <b>Revenue</b>                                 |                                  |                   |                            |
| From external customers                        | 373,963                          | 9,709             | 383,672                    |
| <b>Segment revenue</b>                         | <b>373,963</b>                   | <b>9,709</b>      | <b>383,672</b>             |
| Other income                                   | 256                              | 76                | 332                        |
| Employment costs                               | (351,799)                        | (6,720)           | (358,519)                  |
| Depreciation and amortisation expense          | (764)                            | (756)             | (1,520)                    |
| Finance costs – interest and finance charges   | (191)                            | (17)              | (208)                      |
| Other expenses                                 | (4,705)                          | (1,055)           | (5,760)                    |
| <b>Segment Profit</b>                          | <b>16,760</b>                    | <b>1,237</b>      | <b>17,997</b>              |
| Unallocated items                              |                                  |                   | (4,934)                    |
| <b>Profit before income tax</b>                |                                  |                   | <b>13,063</b>              |
| Income tax expense                             |                                  |                   | (3,737)                    |
| <b>Profit after income tax</b>                 |                                  |                   | <b>9,326</b>               |
| Other comprehensive income                     |                                  |                   | -                          |
| <b>Total comprehensive income for the year</b> |                                  |                   | <b>9,326</b>               |

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

## Notes to the Financial Statements

### a. Information about major customers

Included in revenues from external customers are revenues of \$185.1 million (2021: \$109.9 million) which arose from sales to three (2021: two) of the Group's customers whose individual revenue exceeds 10% of total revenue in the Labour Hire segment. Sales to these three customers were \$74.5 million, \$56.5 million and \$54.1 million respectively (2021: \$54.0 million, \$55.9 million and \$29.3 million respectively).

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

### 27. CASH FLOW INFORMATION

#### Reconciliation of cash flow from operations to profit after income tax

|                                                                      | 2022<br>\$000 | Restated<br>2021<br>\$000 |
|----------------------------------------------------------------------|---------------|---------------------------|
| Profit for the year                                                  | 11,356        | 9,326                     |
| Cash flows excluded from profit attributable to operating activities |               |                           |
| <b>Adjustments for non-cash items:</b>                               |               |                           |
| - Depreciation and amortisation expense                              | 1,772         | 1,785                     |
| - Bad and doubtful debts                                             | 463           | 164                       |
| - (Profit)/loss on disposal of fixed assets                          | (30)          | (36)                      |
| - Lease liability non-cash expense                                   | 67            | 67                        |
| - Loss on contingent consideration                                   | -             | 45                        |
| <b>- Changes in assets and liabilities</b>                           |               |                           |
| - Decrease/(increase) in trade and other receivables                 | (10,547)      | (15,003)                  |
| - Decrease/(increase) in contract assets                             | 14            | (637)                     |
| - Decrease/(increase) in other assets                                | (190)         | (309)                     |
| - Decrease/(increase) in deferred tax assets                         | 1,822         | (1,015)                   |
| - (Decrease)/increase in trade and other payables                    | 3,453         | 9,881                     |
| - (Decrease)/increase in dividends payable                           | -             | 60                        |
| - (Decrease)/increase in provisions                                  | 765           | 1,050                     |
| - (Decrease)/increase in other liabilities                           | (1,220)       | (981)                     |
| - (Decrease)/increase in current tax liabilities                     | (2,711)       | (551)                     |
| - (Decrease)/increase in deferred tax liabilities                    | 1,688         | 1,577                     |
| <b>Net cash from operating activities</b>                            | <b>6,702</b>  | <b>5,423</b>              |

## Notes to the Financial Statements

### 28. BUSINESS COMBINATION

During the year ended 4 July 2021, 100% of the shares in The Instruction Company (TIC) were acquired. The acquisition was completed on 15 September 2020 with a financial effective date of 6 July 2020.

The acquisition price for the purchase of TIC was \$1.85 million. The initial payment of \$1.1 million was made on completion with a further deferred consideration payment of \$0.375 million made during June 2021. A further final deferred consideration payment was made during September 2021. The measurement period to account for the TIC acquisition is now complete and no changes were required to the original provisional accounting entries made for this acquisition.

The Instruction Company is a Registered Training Organisation (RTO) servicing the Rail sector since 1996, creating and delivering rail training solutions to track owners, rail operators, contractors and service providers across Australia.

There were no acquisitions during the year ended 3 July 2022.

|                                                              | Note | 6 July 2020 <sup>1</sup><br>\$000 |
|--------------------------------------------------------------|------|-----------------------------------|
| <b>Purchase consideration</b>                                |      |                                   |
| Cash consideration paid Sep-20                               |      | 1,100                             |
| Deferred consideration paid Mar-21                           |      | 375                               |
| Deferred consideration paid Sep-21                           | 20   | 375                               |
| <b>Total consideration</b>                                   |      | <b>1,850</b>                      |
| <b>Assets and liabilities acquired:</b>                      |      |                                   |
| Cash and cash equivalents                                    |      | 464                               |
| Trade and other receivables                                  |      | 539                               |
| Deferred tax assets                                          |      | 37                                |
| Trade and other payables                                     |      | (327)                             |
| Dividends payable                                            |      | (464)                             |
| Current tax payable                                          |      | (34)                              |
| Non-current liabilities                                      |      | (19)                              |
| <b>Fair value of assets acquired</b>                         |      | <b>196</b>                        |
| <b>Goodwill on acquisition</b>                               |      | <b>1,654</b>                      |
| <b>Cashflows on acquisition</b>                              |      |                                   |
| Cash consideration paid Sep-20                               |      | 1,100                             |
| Deferred consideration paid Mar-21                           |      | 375                               |
| Deferred consideration paid Sep-21                           |      | 375                               |
| Cash acquired                                                |      | (464)                             |
| <b>Total cashflow outflows on acquisition to 3 July 2022</b> |      | <b>1,386</b>                      |

**Note:**

1. Effective date of TIC acquisition.

## Notes to the Financial Statements

### 29. FAIR VALUE MEASUREMENT

#### *Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

|                                                | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------|---------|---------|---------|-------|
|                                                | \$000   | \$000   | \$000   | \$000 |
| <b>Consolidated – 3 July 2022</b>              |         |         |         |       |
| <i>Assets</i>                                  |         |         |         |       |
| Total assets                                   | -       | -       | -       | -     |
| <i>Liabilities</i>                             |         |         |         |       |
| Redemption liability                           | -       | -       | 1,973   | 1,973 |
| Total liabilities                              | -       | -       | 1,973   | 1,973 |
| <b>Consolidated - 4 Jul 2021</b>               |         |         |         |       |
| <i>Assets</i>                                  |         |         |         |       |
| Total assets                                   | -       | -       | -       | -     |
| <i>Liabilities</i>                             |         |         |         |       |
| TIC Deferred Consideration                     | -       | 375     | -       | 375   |
| CCL Contingent Consideration – Earn Out Year 2 | -       | 825     | -       | 825   |
| Redemption liability                           | -       | -       | 1,973   | 1,973 |
| Total liabilities                              | -       | 1,200   | 1,973   | 3,173 |

There were no transfers between levels during the year.

The Fair values of the Group's remaining assets and liabilities are approximately equal to their carrying values.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

#### *Valuation techniques for fair value measurements categorised within level 2 and level 3*

The Instruction Company deferred consideration arose as a result of the business combination detailed in Note 27. The liability represented a deferred payment of \$0.375 million to be made on the twelve-month anniversary of the completion date of the acquisition as in accordance with The Instruction Company Share Sale and Purchase agreement.

The CCL contingent consideration – Earn out year 1, which has been paid during the period, and Earn out year 2 arose in accordance with the CCL Group Share Sale and Purchase Agreement. The Earn out year 1 payment made was adjusted for the final FY20 EBITDA, whilst the Earn out year 2 liability was adjusted for the final FY21 EBITDA.

## Notes to the Financial Statements

The redemption liability has arisen as a result of a previous business combination for the CCL Group. The liability has been valued at the present value of the redemption amount or the put option consideration amount in accordance with the underlying CCL Group Share Sale and Purchase Agreement.

### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current year are set out below:

|                               | <b>CCL<br/>Contingent<br/>Consideration<br/>Earn Out Yr1</b> | <b>CCL<br/>Contingent<br/>Consideration<br/>Earn Out Yr2</b> | <b>Redemption<br/>Liability</b> | <b>Total</b> |
|-------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|--------------|
| <b>Consolidated</b>           | <b>\$000</b>                                                 | <b>\$000</b>                                                 | <b>\$000</b>                    | <b>\$000</b> |
| Balance at 4 July 2021        | -                                                            | -                                                            | 1,973                           | <b>1,973</b> |
| <b>Balance at 3 July 2022</b> | <b>-</b>                                                     | <b>-</b>                                                     | <b>1,973</b>                    | <b>1,973</b> |

|                                                         | <b>CCL<br/>Contingent<br/>Consideration<br/>Earn Out Yr1</b> | <b>CCL<br/>Contingent<br/>Consideration<br/>Earn Out Yr2</b> | <b>Redemption<br/>Liability</b> | <b>Total</b> |
|---------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|---------------------------------|--------------|
| <b>Consolidated</b>                                     | <b>\$000</b>                                                 | <b>\$000</b>                                                 | <b>\$000</b>                    | <b>\$000</b> |
| Balance at 5 July 2020                                  | 789                                                          | 789                                                          | 1,973                           | <b>3,551</b> |
| Gains/(losses) recognised in other comprehensive income | 9                                                            | 36                                                           | -                               | <b>45</b>    |
| Settlements during the year                             | (798)                                                        | -                                                            | -                               | <b>(798)</b> |
| Transfer to Level 2                                     | -                                                            | (825)                                                        | -                               | <b>(825)</b> |
| <b>Balance at 4 July 2021</b>                           | <b>-</b>                                                     | <b>-</b>                                                     | <b>1,973</b>                    | <b>1,973</b> |

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

| <b>Description</b>   | <b>Unobservable inputs</b>                                                                                         | <b>Range<br/>(weighted<br/>average)</b> | <b>Sensitivity</b>                                          |
|----------------------|--------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------------------------------------------------------------|
| Redemption liability | EBITDA FY during which Put Option exercised & EBITDA FY immediately following FY during which Put Option exercised | 2,887,786                               | 10% change would increase/decrease fair value by \$175,030. |

## Notes to the Financial Statements

### 30. CONTROLLED ENTITIES AND ASSOCIATES

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

|                                                            | Country of<br>incorporation | 2022 percentage<br>owned<br>% | 2021 percentage<br>owned<br>% |
|------------------------------------------------------------|-----------------------------|-------------------------------|-------------------------------|
| Action Arndell Park Pty Limited                            | Australia                   | 100                           | 100                           |
| Action Botany Pty Limited                                  | Australia                   | 100                           | 100                           |
| Action James (Qld) Pty Limited                             | Australia                   | 100                           | 100                           |
| Action James NSW Pty Limited                               | Australia                   | 100                           | 100                           |
| Action James Parramatta Pty Limited                        | Australia                   | 100                           | 100                           |
| Action James WA Pty Limited                                | Australia                   | 100                           | 100                           |
| Action James Western Suburbs Pty Limited                   | Australia                   | 100                           | 100                           |
| Action Job Support Pty Limited                             | Australia                   | 100                           | 100                           |
| Action MMX Pty Limited                                     | Australia                   | 100                           | 100                           |
| Action Workforce ACT Pty Limited                           | Australia                   | 100                           | 100                           |
| Action Workforce COL1 Pty Limited                          | Australia                   | 100                           | 100                           |
| Action Workforce COS1 Pty Limited                          | Australia                   | 100                           | 100                           |
| Action Workforce COT Pty Limited                           | Australia                   | 100                           | 100                           |
| Action Workforce IMT Pty Limited                           | Australia                   | 100                           | 100                           |
| Action Workforce NSW Pty Limited                           | Australia                   | 100                           | 100                           |
| Action Workforce OS Pty Limited                            | Australia                   | 100                           | 100                           |
| Action Workforce OST Pty Limited                           | Australia                   | 100                           | 100                           |
| Action Workforce Pty Limited                               | Australia                   | 100                           | 100                           |
| Action Workforce T1 Pty Limited                            | Australia                   | 100                           | 100                           |
| Action Workforce T2 Pty Limited                            | Australia                   | 100                           | 100                           |
| Action Workforce VER1 Pty Limited                          | Australia                   | 100                           | 100                           |
| Action Workforce Victoria Pty Limited                      | Australia                   | 100                           | 100                           |
| Action Workforce VM Pty Limited                            | Australia                   | 100                           | 100                           |
| Action Workforce VPS Pty Limited                           | Australia                   | 100                           | 100                           |
| ADV Services Pty Limited                                   | Australia                   | 100                           | 100                           |
| OGR Holdings Pty Limited (formerly ADV1 Pty Limited)       | Australia                   | 100                           | 100                           |
| ADV2 Pty Limited                                           | Australia                   | 100                           | 100                           |
| ADV3 Pty Limited                                           | Australia                   | 100                           | 100                           |
| ADV6 Pty Limited                                           | Australia                   | 100                           | 100                           |
| Advance Exchange Pty Limited                               | Australia                   | 100                           | 100                           |
| Advance GW Pty Limited                                     | Australia                   | 100                           | 100                           |
| Advance MIX Pty Limited                                    | Australia                   | 100                           | 100                           |
| Advance Recruitments Pty Limited                           | Australia                   | 100                           | 100                           |
| AIVD Holdings Pty Limited                                  | Australia                   | 100                           | 100                           |
| ASG Electrical Contracting Pty Ltd                         | Australia                   | 100                           | 100                           |
| Ash Pty Limited                                            | Australia                   | 100                           | 100                           |
| Ashley Institute Holdings Pty Limited                      | Australia                   | 100                           | 100                           |
| Australian Institute of Vocational Development Pty Limited | Australia                   | 100                           | 100                           |
| AWF Training 3 Pty Limited                                 | Australia                   | 100                           | 100                           |
| BCC Labour Solutions Pty Ltd                               | Australia                   | 100                           | 100                           |

## Notes to the Financial Statements

|                                                                                 | Country of<br>incorporation | 2022 percentage<br>owned<br>% | 2021 percentage<br>owned<br>% |
|---------------------------------------------------------------------------------|-----------------------------|-------------------------------|-------------------------------|
| Cantillon Holdings Pty Limited                                                  | Australia                   | 100                           | 100                           |
| CCL Group Holdings Pty Ltd                                                      | Australia                   | 100                           | 100                           |
| College of Innovation and Industry Skills Pty Limited                           | Australia                   | 100                           | 100                           |
| Complete Traffic Services (VIC) Pty Ltd                                         | Australia                   | 80                            | 80                            |
| Concept AWF Pty Limited                                                         | Australia                   | 100                           | 100                           |
| Concept Electrical Resources Pty Ltd (formerly Action James Mascot Pty Limited) | Australia                   | 100                           | 100                           |
| Concept Employment (Aust) Pty Limited                                           | Australia                   | 100                           | 100                           |
| Concept Engineering (Aust) Pty Limited                                          | Australia                   | 100                           | 100                           |
| Concept Engineering Contracting Holdings Pty Ltd                                | Australia                   | 100                           | 100                           |
| Concept Engineering Contracting Pty Ltd                                         | Australia                   | 100                           | 100                           |
| Concept Power Pty Ltd                                                           | Australia                   | 100                           | 100                           |
| Concept Project Resources Pty Limited                                           | Australia                   | 100                           | 100                           |
| Concept Rail Pty Ltd                                                            | Australia                   | 100                           | 100                           |
| Concept Recruitment Specialists Pty Ltd                                         | Australia                   | 100                           | 100                           |
| Concept Retail Solutions Pty Ltd                                                | Australia                   | 100                           | 100                           |
| Construction Contract Labour (VIC) Pty Ltd                                      | Australia                   | 80                            | 80                            |
| CP Action Workforce Pty Limited                                                 | Australia                   | 100                           | 100                           |
| Dardi Munwarro Labour and Traffic Management Pty Limited*                       | Australia                   | 49                            | -                             |
| Executive Careers Australia Pty Limited                                         | Australia                   | 100                           | 100                           |
| Global Education and Training Group Pty Limited                                 | Australia                   | 100                           | 100                           |
| Integracom Holdings Pty Limited                                                 | Australia                   | 100                           | 100                           |
| Integracom Unit Trust                                                           | Australia                   | 100                           | 100                           |
| James Personnel Pty Limited                                                     | Australia                   | 100                           | 100                           |
| James Warehousing Pty Limited                                                   | Australia                   | 100                           | 100                           |
| Logistics People Pty Limited                                                    | Australia                   | 100                           | 100                           |
| Qualitas Education Pty Limited                                                  | Australia                   | 100                           | 100                           |
| Silk Group Holdings Pty Limited                                                 | Australia                   | 100                           | 100                           |
| TBRC Holdings Pty Limited                                                       | Australia                   | 100                           | 100                           |
| The Blackadder Recruitment Company Pty Limited                                  | Australia                   | 100                           | 100                           |
| The Instruction Company Holdings Pty Ltd                                        | Australia                   | 100                           | 100                           |
| The Instruction Company Pty Ltd                                                 | Australia                   | 100                           | 100                           |
| Track Safety Australia Pty Ltd                                                  | Australia                   | 100                           | 100                           |
| Tracmin Holdings Pty Limited                                                    | Australia                   | 100                           | 100                           |
| Tracmin Pty Limited                                                             | Australia                   | 100                           | 100                           |
| VIC Traffic and Labour Solutions Pty Ltd                                        | Australia                   | 80                            | 80                            |
| Vocational Training Australia Pty Limited                                       | Australia                   | 100                           | 100                           |

\*Incorporated 19 April 2022.

## Notes to the Financial Statements

### 31. PARENT ENTITY DISCLOSURES

#### a. Financial position

|                          | 2022<br>\$000   | 2021<br>\$000   |
|--------------------------|-----------------|-----------------|
| <b>Assets</b>            |                 |                 |
| Current assets           | 92              | 92              |
| Non-current assets       | 16,808          | 18,206          |
| <b>Total assets</b>      | <b>16,900</b>   | <b>18,298</b>   |
| <b>Liabilities</b>       |                 |                 |
| Current liabilities      | -               | (825)           |
| Non-current liabilities  | (23,092)        | (15,891)        |
| <b>Total liabilities</b> | <b>(23,092)</b> | <b>(16,716)</b> |
| <b>Net assets</b>        | <b>(6,192)</b>  | <b>1,582</b>    |
| <b>Equity</b>            |                 |                 |
| Share capital            | 148,815         | 148,815         |
| Common control reserve   | (59,277)        | (59,261)        |
| Accumulated losses       | (95,730)        | (87,972)        |
| <b>Total equity</b>      | <b>(6,192)</b>  | <b>1,582</b>    |

#### Note:

- The directors are in the process of reviewing dividend and loans with its subsidiaries and expect to rectify the above deficiency in net assets.

#### b. Statement of profit or loss and other comprehensive income

|                                          | 2022<br>\$000 | 2021<br>\$000 |
|------------------------------------------|---------------|---------------|
| Profit/(Loss) for the year               | -             | -             |
| Other comprehensive income               | -             | -             |
| <b>Total comprehensive income/(loss)</b> | <b>-</b>      | <b>-</b>      |

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

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

#### d. Contingent liabilities of the Parent Entity

The Parent entity had no other known material contingent liabilities as at 3 July 2022 (4 July 2021: Nil).

#### e. Commitments for expenditure for the Parent entity

The Parent entity had Nil committed expenditure as at 3 July 2022 (4 July 2021: Nil).

## Notes to the Financial Statements

### 32. DEED OF CROSS GUARANTEE

The following entities have entered into a deed of cross guarantee dated 22 February 2018 under which each company guarantees the debts of the others:

- Ashley Services Group Limited
- Action Workforce Pty Limited
- ADV6 Pty Limited
- Ashley Institute Holdings Pty Ltd
- Concept Engineering (Aust) Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' reports under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Ashley Services Group Limited, they also represent the 'Extended Closed Group'.

#### a. Statement of profit or loss and other comprehensive income

| Extended Closed Group                          | 2022<br>\$000 | 2021<br>\$000 |
|------------------------------------------------|---------------|---------------|
| Revenue                                        | 345,920       | 291,868       |
| Other Income                                   | -             | 61            |
| Employment costs                               | (322,949)     | (275,129)     |
| Depreciation and amortisation expense          | (514)         | (545)         |
| Finance costs                                  | (80)          | (141)         |
| Other expenses                                 | (3,058)       | (3,208)       |
| <b>Profit before income tax</b>                | <b>19,319</b> | <b>12,906</b> |
| Income tax expense                             | (5,795)       | (1,783)       |
| <b>Profit after income tax</b>                 | <b>13,524</b> | <b>11,123</b> |
| Other comprehensive Income                     | -             | -             |
| <b>Total comprehensive income for the year</b> | <b>13,524</b> | <b>11,123</b> |

## Notes to the Financial Statements

### b. Statement of Financial position

| Extended Closed Group                | 2022<br>\$000  | 2021<br>\$000  |
|--------------------------------------|----------------|----------------|
| <b>Assets</b>                        |                |                |
| <b>Current assets</b>                |                |                |
| Cash and cash equivalents            | 439            | 52             |
| Trade and other receivables          | 31,122         | 27,917         |
| Other assets                         | 9,286          | 5,263          |
| <b>Total current assets</b>          | <b>40,847</b>  | <b>33,232</b>  |
| <b>Non-current assets</b>            |                |                |
| Trade and other receivables          | 132,600        | 113,269        |
| Property, plant and equipment        | 459            | 393            |
| Deferred tax assets                  | 3,599          | 3,599          |
| Right-of-use assets                  | 465            | 683            |
| Other assets                         | 16,811         | 18,208         |
| <b>Total non-current assets</b>      | <b>153,934</b> | <b>136,152</b> |
| <b>Total assets</b>                  | <b>194,781</b> | <b>169,384</b> |
| <b>Liabilities</b>                   |                |                |
| <b>Current liabilities</b>           |                |                |
| Trade and other payables             | 41,933         | 36,799         |
| Borrowings                           | 3,198          | 679            |
| Dividends payable                    | 21,123         | 13,921         |
| Current tax payable                  | 19,181         | 13,386         |
| Lease liabilities                    | 185            | 221            |
| Other liabilities                    | -              | 825            |
| Provisions                           | 2,044          | 2,047          |
| <b>Total current liabilities</b>     | <b>87,664</b>  | <b>67,878</b>  |
| <b>Non-current liabilities</b>       |                |                |
| Lease liabilities                    | 322            | 509            |
| Other liabilities                    | 1,973          | 1,973          |
| Provisions                           | 270            | 222            |
| <b>Total non-current liabilities</b> | <b>2,565</b>   | <b>2,704</b>   |
| <b>Total liabilities</b>             | <b>90,229</b>  | <b>70,582</b>  |
| <b>Net assets</b>                    | <b>104,552</b> | <b>98,802</b>  |
| <b>Equity</b>                        |                |                |
| Share capital                        | 148,815        | 148,815        |
| Common control reserve               | (59,261)       | (59,261)       |
| Retained earnings                    | 14,998         | 9,248          |
| <b>Total Equity</b>                  | <b>104,552</b> | <b>98,802</b>  |

## Notes to the Financial Statements

### c. Equity – retained profits

| Extended Closed Group                                    | 2022<br>\$000 | 2021<br>\$000 |
|----------------------------------------------------------|---------------|---------------|
| Retained profits at the beginning of the financial year  | 9,248         | 4,604         |
| Profit after income tax expense                          | 13,524        | 11,123        |
| Dividends paid                                           | (7,774)       | (6,479)       |
| <b>Retained profits at the end of the financial year</b> | <b>14,998</b> | <b>9,248</b>  |

### d. Contingent liabilities of the Extended Closed Group

The Extended Closed Group had no other known material contingent liabilities as at 3 July 2022 (4 July 2021: Nil).

### e. Commitments for expenditure for the Extended Closed Group

The Extended Closed Group had Nil committed expenditure as at 3 July 2022 (4 July 2021: Nil).

### f. Going Concern and Financial Support

The financial statements of the Extended Closed Group have been prepared on a going concern basis. The directors have provided a letter of financial support confirming that each of the below listed companies within the Ashley Services Group Limited and controlled entities agrees to provide whatever financial support is necessary to ensure each entity will be able to continue as a going concern and pays its debts as and when they fall due and payable.

The financial support covers the following entities:

- Ashley Services Group Limited;
- Action Workforce Pty Limited;
- Concept Engineering (Aust.) Pty Ltd;
- ASH Pty Ltd;
- Vocational Training Australia Pty Ltd;
- Australian Institute of Vocational Development Pty Ltd; and
- Tracmin Pty Ltd.

The financial support includes but is not limited to the actions as noted below:

- not calling on related party loans;
- agreeing to any cost re-allocations or management fee re-charges; and
- agreeing to debt forgiveness with any related entity.

The undertaking remains current until the date on which the directors approve the financial statements of the Group for the financial year ending 2 July 2023. The directors are satisfied that collectively the Group has the financial ability to provide this support.

### g. Security Offered

The Westpac facility (see Note 21) is subject to a Security which includes:

- 1<sup>st</sup> ranking General Security Agreement over the assets and undertakings of the Borrower and its Guarantors (Ashley Services Group Limited and its trading controlled entities); and
- Flawed Asset Arrangement – Deposit of Action Workforce Pty Ltd, Construction Contract Labour (VIC) Pty Ltd and Concept Engineering (AUST) Pty Ltd for Invoice Finance Facility collections.

## Notes to the Financial Statements

### 33. RELATED PARTY TRANSACTIONS

#### a. Parent company

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

#### b. Transactions with related entities

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

Transactions with related parties are as follows:

|                                                                                                                                                                                                                                | 2022 <sup>1</sup><br>\$ | 2021 <sup>1</sup><br>\$ |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
| Rent and outgoings paid or payable to Shrimpton Holdings Pty Limited as trustee for the Shrimpton Family Trust, an entity which is controlled by Mr Ross Shrimpton for an office at Arndell Park, New South Wales <sup>1</sup> | 141,286                 | 138,061                 |
| Fees payable to Trood Pratt & Co (of which Ian Pratt was a Partner until 02 March 2021) for taxation services                                                                                                                  | n/a                     | 41,904                  |
| Fees payable to Ron Holland Family Trust (of which Ron Hollands is Trustee) for Company Secretarial Services                                                                                                                   | 20,000                  | 17,617                  |

**Note:**

1. All amounts as shown are exclusive of GST.

### 34. SECURED AND CONTINGENT LIABILITIES

For assets pledged as security for borrowing facilities see Note 21.

The Group had no other known contingent liabilities at 3 July 2022 (4 July 2021: Nil).

### 35. FINANCIAL INSTRUMENTS

#### a. Significant accounting policies

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

#### b. Financial risk management objectives

The Board of Directors has overall responsibility for the establishment and oversight of the Group's financial management framework. The Board has an established Audit and Risk Management Committee which is responsible for developing and monitoring the Group's financial management policies.

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

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

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

## Notes to the Financial Statements

### c. Market risk

#### Interest rate risk

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

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

#### Interest rate sensitivity

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

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

|                                  | 2022<br>\$000 | 2021<br>\$000 |
|----------------------------------|---------------|---------------|
| <b>Change in profit</b>          |               |               |
| Increase in interest rates of 1% | (531)         | (129)         |
| Decrease in interest rates of 1% | 531           | 129           |
| <b>Change in equity</b>          |               |               |
| Increase in interest rates of 1% | (531)         | (129)         |
| Decrease in interest rates of 1% | 531           | 129           |

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

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

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

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

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

### d. Liquidity risk management

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

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously comparing actual cash flows with forecasts and matching the maturity profiles of

## Notes to the Financial Statements

financial assets and liabilities. Included in Note 19 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

### Liquidity and interest risk tables

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

#### Financial assets

| 2022                        | Weighted average<br>effective interest<br>rate % | Within 1 year<br>\$000 | 1 to 5 years<br>\$000 | Over 5 years<br>\$000 | Total<br>\$000 |
|-----------------------------|--------------------------------------------------|------------------------|-----------------------|-----------------------|----------------|
| Cash and cash equivalents   | n/a                                              | 1,739                  | -                     | -                     | 1,739          |
| Trade and other receivables | n/a                                              | 54,968                 | -                     | -                     | 54,968         |
| Contract assets             | n/a                                              | 777                    | -                     | -                     | 777            |
| <b>Total</b>                |                                                  | <b>57,484</b>          | <b>-</b>              | <b>-</b>              | <b>57,484</b>  |

| 2021                        | Weighted average<br>effective interest<br>rate % | Within 1 year<br>\$000 | 1 to 5 years<br>\$000 | Over 5 years<br>\$000 | Total<br>\$000 |
|-----------------------------|--------------------------------------------------|------------------------|-----------------------|-----------------------|----------------|
| Cash and cash equivalents   | n/a                                              | 2,969                  | -                     | -                     | 2,969          |
| Trade and other receivables | n/a                                              | 44,421                 | -                     | -                     | 44,421         |
| Contract assets             | n/a                                              | 791                    | -                     | -                     | 791            |
| <b>Total</b>                |                                                  | <b>48,181</b>          | <b>-</b>              | <b>-</b>              | <b>48,181</b>  |

#### Financial liabilities

| 2022                     | Weighted average<br>effective interest<br>rate % | Within 1 year<br>\$000 | 1 to 5 years<br>\$000 | Over 5 years<br>\$000 | Total<br>\$000 |
|--------------------------|--------------------------------------------------|------------------------|-----------------------|-----------------------|----------------|
| Trade and other payables | n/a                                              | 30,844                 | -                     | -                     | 30,844         |
| Borrowings               | 4.01%                                            | 5,305                  | -                     | -                     | 5,305          |
| Lease liabilities        | 3.00%                                            | 1,050                  | 2,474                 | -                     | 3,524          |
| Other liabilities        | n/a                                              | -                      | -                     | 1,973                 | 1,973          |
| <b>Total</b>             |                                                  | <b>37,199</b>          | <b>2,474</b>          | <b>1,973</b>          | <b>41,646</b>  |

| 2021                     | Weighted average<br>effective interest<br>rate % | Within 1 year<br>\$000 | 1 to 5 years<br>\$000 | Over 5 years<br>\$000 | Total<br>\$000 |
|--------------------------|--------------------------------------------------|------------------------|-----------------------|-----------------------|----------------|
| Trade and other payables | n/a                                              | 27,392                 | -                     | -                     | 27,392         |
| Borrowings               | 4.35%                                            | 1,090                  | -                     | -                     | 1,090          |
| Lease liabilities        | 3.00%                                            | 888                    | 1,324                 | -                     | 2,212          |
| Other liabilities        | n/a                                              | 1,220                  | -                     | 1,973                 | 3,193          |
| <b>Total</b>             |                                                  | <b>30,590</b>          | <b>1,324</b>          | <b>1,973</b>          | <b>33,887</b>  |

#### Fair value of financial instruments

Refer to Note 29 for details on the fair value of financial instruments.

## Notes to the Financial Statements

### 36. EVENTS AFTER THE REPORTING DATE

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

On 5 July 2022, the Group acquired a 75% interest in Linc Personnel Pty Limited for \$3.615 million. This company currently provides labour to the oil and gas sector in Western Australia and the Northern Territory, with the acquisition expected to be earnings accretive in the financial year ended 30 June 2023.

On 25 July 2022, the Group acquired a non-controlling interest of 49% in Yalagan Infrastructure Pty Limited, a company supporting Indigenous labour hire in New South Wales.

On 28 July 2022 the Group declared a fully franked final dividend of 3.0 cents in relation to the financial year ended 3 July 2022.

### 37. DIVIDENDS

#### a. Ordinary shares

On 28 July 2022 the Group declared a fully franked final dividend of 3.0 cents in relation to the financial year ended 3 July 2022. With a fully franked interim dividend of 3.0 cents previously declared on 2 February 2022, this brings the full year dividend for the financial year ended 3 July 2022 to a total of 6.0 cents, a 43% increase on the dividend for the prior financial year (FY21: 4.2 cents).

#### b. Franking credits

|                                                                                                  | 2022<br>\$000 | 2021<br>\$000 |
|--------------------------------------------------------------------------------------------------|---------------|---------------|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2021: 30%) | 928           | 2,411         |

The balance of the franking accounts includes:

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

## ASX Additional Information

Set out below is additional information as required by the ASX Limited Listing Rules and not disclosed elsewhere in this report. This information is effective as at 26 August 2022.

### Number of security holders and securities on issue

#### Quoted equity securities

Ashley Services has on issue 143,975,904 fully paid ordinary shares which are held by 1,156 shareholders.

### Voting rights

#### Quoted equity securities

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

### Distribution of security holders

#### Quoted equity securities

Ordinary fully paid ordinary shares

| Holding          | Number of shareholders | Number of shares   | %             |
|------------------|------------------------|--------------------|---------------|
| 1 – 1,000        | 227                    | 161,235            | 0.12          |
| 1,001 – 5,000    | 364                    | 954,408            | 0.66          |
| 5,001 – 10,000   | 163                    | 1,316,710          | 0.91          |
| 10,001 – 100,000 | 333                    | 10,750,419         | 7.47          |
| 100,001 and over | 69                     | 130,793,132        | 90.84         |
| <b>Total</b>     | <b>1,156</b>           | <b>143,975,904</b> | <b>100.00</b> |

### Unmarketable parcel of shares

The number of shareholders holding less than a marketable parcel of Fully Paid Ordinary shares is 63 with a total number of shares held is 6,971.

### Substantial Shareholders

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

#### Fully Paid Ordinary Shares

| Name                                                                   | Number     | %      |
|------------------------------------------------------------------------|------------|--------|
| Ross Shrimpton                                                         | 80,279,030 | 55.76% |
| JP Morgan Nominees Australia Limited ATF Richmond Hill Capital Pty Ltd | 15,592,969 | 10.83% |

### Unquoted equity securities

There are no unquoted shares.

### On-market buy-back

There is no current on-market buy-back.

## ASX Additional Information

### Largest shareholders

#### Fully paid ordinary shares

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

| Name                                                    | Number of shares   | %             |
|---------------------------------------------------------|--------------------|---------------|
| Mr Ross Shrimpton                                       | 80,279,030         | 55.76%        |
| JP Morgan Nominees Australia Limited                    | 21,102,626         | 14.66%        |
| Citicorp Nominees Pty Ltd                               | 3,359,222          | 2.33%         |
| BNP Paribas Nominees Pty Ltd                            | 2,123,102          | 1.47%         |
| Mr Marc Shrimpton                                       | 1,500,000          | 1.04%         |
| Moat Investments Pty Ltd                                | 1,424,000          | 0.99%         |
| Super Wide Pty Ltd                                      | 1,140,326          | 0.79%         |
| Mr Andrew Douglas Shrimpton                             | 1,115,000          | 0.77%         |
| Action James Holdings Pty Limited                       | 777,888            | 0.54%         |
| Bond Street Custodians Pty Ltd                          | 750,000            | 0.52%         |
| Mast Financial Pty Ltd                                  | 696,000            | 0.48%         |
| Stirling Superannuation Pty Ltd                         | 650,000            | 0.45%         |
| Mrs Kerry Elizabeth Draffin                             | 637,416            | 0.44%         |
| Velkov Funds Management Pty Ltd                         | 628,000            | 0.44%         |
| Garry Anthony John Butler                               | 604,243            | 0.42%         |
| WestFerry Operations Pty Ltd                            | 602,559            | 0.42%         |
| Mr Peter John Stirling and Mrs Rosalind Verena Sterling | 530,000            | 0.37%         |
| Mr Brenton Fletcher                                     | 513,023            | 0.36%         |
| HBD Services Pty Ltd                                    | 500,000            | 0.35%         |
| Shann Superannuation Nominees Pty Ltd                   | 500,000            | 0.35%         |
| <b>Total</b>                                            | <b>119,432,435</b> | <b>82.95%</b> |

### Annual General Meeting

The annual general meeting of the Company will be held at the company's offices at Level 10, 92 Pitt Street Sydney NSW 2000 at 10.00am on Thursday 3 November 2022 OR electronically via a virtual AGM (details will be provided as required). Shareholders who are unable to attend the meeting are encouraged to complete and return their proxy form that will accompany the notice of meeting.

## Corporate Directory

### Non-Executive Directors

Mr Ian Pratt (Chairman)

### Executive Directors

Mr Ross Shrimpton – Managing Director

Mr Paul Brittain – Chief Financial Officer

### Company Secretary

Mr Ron Hollands

### Registered Office

Level 10

92 Pitt Street

Sydney NSW 2000

### Australian Company Number

094 747 510

### Australian Business Number

92 094 747 510

### Auditors

#### HLB Mann Judd Assurance (NSW) Pty Ltd

Level 19

207 Kent Street

Sydney NSW 2000

Telephone: + 61 2 9020 4000

Facsimile: + 61 2 9020 4190

### Legal Adviser

#### Addisons Lawyers

Level 12

60 Carrington Street

Sydney NSW 2000

Telephone: + 61 2 8915 1000

Facsimile: + 61 2 8916 2000

### Bankers

#### Westpac

Level 18

275 Kent Street

Sydney NSW 2000

Telephone: + 61 2 9155 7700

Facsimile: + 61 2 8253 4128

Website: [www.westpac.com.au](http://www.westpac.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](http://www.linkmarketservices.com.au)

### Website

[www.ashleyservicesgroup.com.au](http://www.ashleyservicesgroup.com.au)

### ASX Code

ASH