25 August 2014

Company Announcements Office
Australian Securities Exchange
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

FY14 FULL YEAR RESULTS

Please find attached:

1. Appendix 4E for the year ended 30 June 2014; and

2. Financial Statements for the year ended 30 June 2014.

Yours faithfully

Paul Morris
Company Secretary
Spotless

Encls

Spotless Group Holdings Limited
Appendix 4E
Preliminary final report for the year ended 30 June 2014

Name of entity	**Current Period**
Spotless Group Holdings Limited	Year ended 30 June 2014
ABN	**Prior Corresponding Period***
27 154 229 562	Year ended 30 June 2013

Results for Announcement to the Market	**% Movement compared to prior period**	**Current Period A$**
Revenue from ordinary activities	Up 17.2%	to $2,620.3 million
Reported earnings from ordinary activities before interest and tax	Up 3797.0%	to $122.0 million
Reported net loss from ordinary activities after tax	Down 36.0%	to ($34.7) million
Reported net loss attributable to members	Down 62.6%	to ($34.7) million
Reported loss per share (cents)	Down 65.3%	to (5.1 cents)

Dividends	**Final Dividend 2014**	**Final Dividend 2013**	**Interim Dividend 2014**	**Interim Dividend 2013**
Amount per share	Nil	Nil	23.529c	Nil
Franked amount	Nil	Nil	Nil	Nil

The interim 2014 dividend was paid on 22 November 2013.

Ratios	**30 June 2014**	**30 June 2013**
Net tangible asset backing per share (cents)	-22.7 c	-66.2 c

Audited Results
This report is based on the financial statements that have been the subject of an independent audit and are not subject to any dispute or qualification. The detailed annual financial statements are attached to this report.

***Prior Corresponding Period**
The prior corresponding period reflects the results of the operations of the Spotless Group from the date of its acquisition, 16 August 2012 to 30 June 2013 (approximately 10.5 months). The current period includes the results of the operations of the group for the full twelve months ended 30 June 2014 and includes both the periods prior to and post the listing on the Australian Stock Exchange.

Enquiries:
Danny Agnoletto
Chief Financial Officer
T +61 3 9269 7600

SPOTLESS GROUP HOLDINGS LIMITED
(formerly Pacific Industrial Services Pty Limited)

ABN 27 154 229 562
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2014

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Directors' Report

The Directors hereby present their report for the year ended 30 June 2014. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

Directors

The names and details of Directors of Spotless Group Holdings Limited (the "Company") during the entire financial year and up to the date of this report, unless otherwise stated were:

Director Profiles

Margaret Jackson AC
Chairman, Independent Non-Executive Director (Appointed 20 March 2014)
BEc, MBA, Hon LLD (Monash), FCA, FAICD

Margaret is chairman of Ansett Aviation Training Limited. She is also a director of the Prince's Charities Australia and President of Australian Volunteers International.

Margaret has also served as chairman of Qantas Airways Limited, the Victorian Transport Accident Commission and FlexiGroup Limited, and as a director of The Broken Hill Proprietary Company Limited, The Australia and New Zealand Banking Group Limited, Pacific Dunlop Limited, John Fairfax Holdings Limited, Billabong International Ltd and Telecom Australia. Margaret is former chairman of the Advisory Board for the Salvation Army Southern Territory, the Playbox Theatre Company and Methodist Ladies College. Before beginning her career in 1992 as a full time company director, Margaret was a partner of KPMG Peat Marwick's Management Consulting Division. She is a member of Audit, Business Risk and Compliance Committee and the Remuneration and People Committee.

Bruce Dixon
Chief Executive Officer and Managing Director
BA (Econ)

Bruce served as Managing Director of Healthscope Limited, Australia's largest provider of integrated healthcare services, from 1997 to 2010, during which time he oversaw compound revenue growth of 32% per annum and profit growth of 33% per annum from 2000 to 2010. Before this, Bruce was a long serving senior executive of Spotless, having held the positions of General Manager of Spotless Healthcare, and General Manager of Servicemaster of Australasia. Bruce has previously served as non-executive director of Greencross Limited (Australia's leading veterinary business) and Ruralco Holdings Limited (Australian agribusiness).

Diane Grady AM
Independent Non-Executive Director (Appointed 28 March 2014)
MBA (Harvard), MA, BA (Hons), FAICD

Diane is chairman of the Remuneration and People Committee.

Diane is also a director of Macquarie Bank and Australian Stationery Industries, a senior adviser to McKinsey & Company, chair of Ascham School, and chair of The Hunger Project Australia. She is also on the Advisory Board of the Centre for Ethical Leadership (Ormond College), and the NSW Innovation and Productivity Council. Diane has 20 years' experience on major public company and not-for-profit boards.

Diane has also served as a director of Woolworths Limited, Lend Lease Group, Goodman Group, BlueScope Steel Limited, a trustee of the Sydney Opera House and president of Chief Executive Women. Before beginning her career as a full-time company director, Diane was a partner of McKinsey & Company where she was a leader of the firm's global Organisation and Change Management group and headed the Consumer Goods, Retailing and Marketing Practice in Australia.

Garry Hounsell
Independent Non-Executive Director (Appointed 20 March 2014)
BBus (Acc), FCA, CPA, FAICD

Garry is chairman of the Audit, Business Risk and Compliance Committee.

Garry is also chairman of Investec Global Aircraft Fund and PanAust Limited, is a director of Qantas Airways Limited, DuluxGroup Limited and Treasury Wine Estates Limited.

Garry has also served as a director of Orica Limited and Nufarm Limited, deputy chairman of Mitchell Communication Group Limited and chairman of eMitch Limited. Garry was also a former senior partner of Ernst & Young, chief executive officer and country managing partner of Arthur Andersen and a board member of law firm Freehills (now Herbert Smith Freehills).

The Hon. Nick Sherry
Independent Non-Executive Director (Appointed 26 March 2014)
BA (Tas)

Nick is chairman of FNZ (Australia) Pty Limited and is also a Senior Advisor Superannuation and Pensions to Citi and advises in a range of countries on all aspects of the reform of Pension Systems including working with the OECD and World Economic Forum. He is a member of the UNSW Risk - Actuarial Studies Advisory Board and the Business Advisory Panel of Insurance Ireland's Public Policy Council.

Nick also served as a Senator for Tasmania from 1990 to 2012. He served as Minister for Superannuation and Corporate Law from 2007 to 2009, Assistant Treasurer in 2009 and 2010 and Small Business Minister in 2010 and 2011. He is a member of Audit, Business Risk and Compliance Committee and the Remuneration and People Committee.

Rob Koczkar
Non-Executive Director
BEng (Mech and Manuf) (Hons) (Melb)

Rob was a managing director of Pacific Equity Partners and is chief executive officer-elect of Social Ventures Australia Limited (SVA). Rob will transition to the role with SVA in October 2014. Rob also serves as chairman of Energy Developments Limited and as a director of Goodstart Early Learning Limited and SVA. Rob has previously held positions with investment firm Texas Pacific Group where he was based in its London office and strategy consulting firm Bain & Company, variously based in Australia, the United Kingdom and the United States. He is a member of the Remuneration and People Committee.

Geoff Hutchinson
Non-Executive Director
BCom, BSc, MBA (Dean's List)

Geoff is a managing director of Pacific Equity Partners, having joined Pacific Equity Partners in 2008, and also serves as a director of Veda Group Limited. Geoff has also served as a manager with Bain & Company where he consulted to clients in Australia, the United Kingdom and South Africa in the consumer goods, retail, industrial services, telecommunications, airline and mining industries on strategy, performance improvement and organisational design. Geoff also worked with Bain & Company's UK Private Equity practice leading due diligence engagements for private equity investors. He is a member of the Audit, Business Risk and Compliance Committee.

Josef Czyzewski
Executive Director (Resigned as director 17 April 2014)

Vita Pepe
Executive Director (Resigned as director 17 April 2014)

Anthony Kerwick
Non-Executive Director (Resigned as director 17 April 2014)

Shannon Wolfers
Non-Executive Director (Resigned as director 17 April 2014)

Company Secretary
Paul Morris
BEc (Hons), LLB

Paul was appointed Company Secretary and General Counsel in September 2012 and has led the Group Legal team since July 2008. Prior to joining Spotless, Paul was a senior associate at Minter Ellison.

Directors' Meetings

	Board		**Audit, Business Risk and Compliance Committee**		**Remuneration and People Committee**	
Name	Held	Attended	Held	Attended	Held	Attended
Margaret Jackson	8	8	1	1	1	1
Bruce Dixon	26	23				
Diane Grady*	5	2			1	1
Garry Hounsell	8	7	1	1		
The Hon. Nick Sherry	7	6	1	1	1	1
Rob Koczkar	26	26			1	1
Geoff Hutchinson	26	21	1	1		
Josef Czyzewski	22	22				
Vita Pepe	22	18				
Anthony Kerwick	22	16				
Shannon Wolfers	22	19				

* Diane Grady was travelling overseas at the time of the three Board meetings she did not attend. Two of these Board meetings were non-scheduled meetings called at short notice.

Principal activities

The principal activities of Spotless Group Holdings Limited and its subsidiaries (the "Consolidated Entity") during the year ended 30 June 2014 were the provision of outsourced facility services and laundry and linen services to various industries in Australia and New Zealand.

Operating and Financial Review

1. Business Overview

Spotless is a market leading provider of outsourced facility services and laundry and linen services in Australia and New Zealand. Within the market it serves, Spotless is the leader by revenue, scale and breadth of services. Spotless today employs almost 33,000 people comprised of full-time, part-time and casual employees, making Spotless one of Australia's and New Zealand's largest employers.

Spotless provides a broad range of facility services, which include facility management, catering and food and cleaning services, as well as laundry and linen services, such as industrial laundering and linen and uniform rental. Spotless provides these services to a diverse customer base that includes governmental departments, agencies and authorities at the federal, state and municipal level, large global and domestic corporations and medium sized domestic corporations across Australia and New Zealand.

Spotless offers its customers an integrated multi-service offering with a single point of contact under a range of contractual models that deliver customers their desired level of services required for the successful operation of their facility.

Spotless' main services are:

- *Facility Services*

- Facility Management, which includes property management, maintenance and mechanical services, grounds management, security and fire services, waste management and the delivery of a range of other facility services;

- Catering and Food, including services such as operating canteens, dining halls and restaurants, personal meal delivery, specialised food preparation and delivery, management of food and beverage facilities and event catering services; and

- Cleaning, which includes general facility cleaning, specialist industrial and sterile cleaning and washroom services.

- *Laundry and Linen Services*

- Laundry and Linen, which includes the rental, cleaning, collection, delivery and stock management of linen, uniforms and specialised workwear.

2. Business Strategy and Growth

The new management team, led by Bruce Dixon, has over the last two years moved quickly to implement its strategy designed to establish a culture of performance and an organisation-wide focus on profitability.

In restructuring the business, the management team sought to achieve three key objectives:

- **Increase customer focus**: Change the organisational structure to enable Spotless staff throughout the organisation to focus on the customers' needs on a holistic, rather than service line specific basis;

- **Improve quality of earnings, margins and productivity**: Reduce the unpredictability of earnings and improve overall Group margin and cash flows to be more consistent with those of international peers. Particular focus was applied to reversing the significant increase in overhead support full-time equivalents that had occurred between 2008 and 2012, which had coincided with a decrease in adjusted EBITDA margin from approximately 6.7% to approximately 5.7% between FY2008 and FY2012; and

- **Business development and pipeline growth**: Focus the organisational structure and accountabilities to allow Spotless to better identify and pursue opportunities within each customer sector, leveraging in-house service line and business development expertise where appropriate.

Spotless' growth strategy is underpinned by four pillars: underlying market growth, outsourcing penetration, market share growth and expansion opportunities in adjacent services and customer sectors.

The growth framework is summarised in the following table:

Underlying market growth	✓	**Contractual price growth mechanisms** in most contracts, driving underlying price growth
	✓	**Expected customer volume and growth** with customer demand for facility services typically growing in line with, or above GDP
Outsourcing penetration	✓	**Significant outsourcing growth** is anticipated through to 2018, in particular across Health, Education & Government.
	✓	**PPPs secured**, providing long term, contracted income streams (~$130m of additional contracted PPP Sales Revenue per annum commencing over FY2016 and FY2017)
Market share growth	✓	**Cross-sell existing products to existing customers** with expansion to additional customer sites and provision of additional services (driven by an increasing demand for integrated solutions and outsourcing)
	✓	**Gain market share** in a fragmented market via value proposition / breadth of service offering
Expansion opportunities	✓	**Enter attractive adjacent sectors** where Spotless can utilise its competitive advantages. Opportunities include Home care, Allied health services and Immigration
	✓	**Expand service lines and improve self delivery** which reduces need for sub-contracting.

3. *Material Business Risks*

Spotless is subject to various risk factors. Some of these are specific to its business activities. Others are of a more general nature.

Failure to renew existing contracts or win new contracts

Spotless' ability to renew contracts with existing customers and win new contracts with existing and new customers is fundamental to its business, growth and profitability. Spotless faces competition in all the market sectors in which it operates. New contracts, including contracts entered into with an existing customer where a previous contract has expired, are usually subject to a competitive process. There is a risk that Spotless may not win these contracts for any of a number of reasons.

Failure to successfully renew existing contracts or to win new contracts could negatively impact Spotless' financial performance, including, in the case of a failure to retain an existing customer, by leaving Spotless with excess capacity or redundancy costs, and adversely impact its ability to grow its operations.

Claims for abatements, damages or indemnities may arise in connection with Spotless' service delivery under customer contracts

Some of Spotless' customer contracts impose detailed obligations on Spotless to perform services at a defined standard. From time to time, Spotless may fail to perform its obligations under a contract, or may disagree with its customers about whether the services have been performed in the manner that the contract requires. In such cases, Spotless may be subject to claims for abatements, liquidated damages or liability under indemnity provisions or Spotless' invoices may otherwise not be paid.

Existing and target customers may choose to change from outsourcing to in-sourcing of services

Spotless' financial performance depends on its customers continuing to outsource facility services and laundry and linen services. Spotless' anticipated future growth depends in part on additional services being outsourced in the future. A decline in outsourcing in the industries in which Spotless' customers operate, or an increase in customers taking services back in-house (i.e. in-sourcing) may adversely affect Spotless' future revenue and profitability and its prospects for growth.

Rising input costs may lead to lower profitability

The profitability of Spotless' contracts depends on its management of costs. This involves active management of input volumes and per-unit prices, and maintaining the ability to pass increases in costs through to customers in the form of price increases. A significant or sustained increase in input costs to which Spotless is unable to respond adequately, or at all, either through cost reduction measures or contract price increases, could have an adverse effect on the financial performance of the business and the ability of the business to deliver its forecast financial results. Some, but not all, customer contracts include price escalation provisions, but there is a risk that such provisions may not allow Spotless to recoup all cost increases.

General economic conditions in Australia and New Zealand may worsen

Spotless' business is predominantly based in Australia, with the balance of its business based in New Zealand. The operating and financial performance of Spotless is influenced by the general economic conditions in Australia and New Zealand, as well as general economic conditions globally. A prolonged downturn in general economic conditions may impact the demand for Spotless' services or make it difficult to win or renew contracts at equivalent or higher prices. Economic conditions in Australia and New Zealand may have a material adverse impact on Spotless' financial performance and growth prospects.

4. Review of Operations

Highlights of full year result:

Statutory Results

- Statutory Net Loss After Tax -62.6% to ($34.7m) from FY13
- Sales revenue +17.2% over FY13 (+2.3% over Prospectus)
- EBITDA +256.8% over FY13 (+3.6% over Prospectus)
- Result has been driven by a combination of underlying growth and the continued impact of management cost initiatives.
- Reported result significantly impacted by $67.3m of transaction and restructuring costs including $30.8m of Initial Public Offering costs.

Consolidated Profit & Loss ($m)	June 2014 Statutory Actual	June 2014 Statutory Prospectus Forecast[2]	% Change	June 2013 Statutory Actual[1]	% Change
Sales Revenue	**2,620.3**	**2,560.6**	**2.3%**	**2,236.0**	**17.2%**
Other income	0.4	0.0		0.3	
Total Revenue	**2,620.7**	**2,560.6**		**2,236.3**	
EBITDA	**185.9**	**179.4**	**3.6%**	**52.1**	**256.8%**
Depreciation	(53.2)	(55.0)	3.3%	(46.6)	(14.2)%
EBITA	**132.7**	**124.4**	**6.7%**	**5.5**	**2312.7%**
Amortisation	(10.7)	(10.9)	1.8%	(8.8)	(21.6)%
EBIT	**122.0**	**113.5**	**7.5%**	**(3.3)**	**3797.0%**
Net finance costs	(169.8)	(172.7)	1.7%	(69.6)	(144.0)%
Loss before tax	**(47.8)**	**(59.2)**	**19.3%**	**(72.9)**	**34.4%**
Income tax benefit	13.1	17.8	(26.4)%	18.7	29.9%
Net Loss after tax before discontinued ops	**(34.7)**	**(41.4)**	**16.2%**	**(54.2)**	**36.0%**
Loss from discontinued operations	0.0	0.0	0.0%	(38.6)	100.0%
Net Loss After Tax	**(34.7)**	**(41.4)**	**16.2%**	**(92.8)**	**62.6%**

1: Represents 10.5 months of operations
2: As disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014. The Statutory Forecast information has not been audited or reviewed in accordance with Australian Auditing Standards.

Comparisons to the prior year are not meaningful as the results for the year ended 30 June 2013 only incorporate the results of the operations of the Spotless Group from the date of acquisition (16 August 2012) until 30 June 2013 (10.5 months). Certain analysis contained within this report has therefore been made by assessing against pro forma full year numbers. Additionally, as the 30 June 2014 statutory actual results have been significantly impacted by one-off transaction and restructuring costs (including the costs of the Initial Public Offer) much of the following analysis has excluded such impacts. This has been clearly identified within this report. Reconciliations between the statutory actual results and pro forma results are also included within.

Pro Forma Results[1]

Pro forma actual results are provided for the year ended 30 June 2014 to allow shareholders to make a meaningful comparison with the pro forma Prospectus forecast and to make an assessment of Spotless' performance as a listed company.

The 30 June 2014 pro forma actual results make the following adjustments to the statutory results:

- **EBITDA** – $66.3m has been removed in total with respect to IPO costs, various transaction and restructuring costs (including staff redundancy costs), the full vesting of the previous executive management options program and the estimated full year impact of public company labour costs
- **Net Finance Costs** – Interest expense has been adjusted to reflect the full year impact of the post IPO financing arrangements. In doing so, $74.7m of borrowings costs written off relating to previous financing facilities have been excluded from the pro forma actual result;
- **Tax expense** – tax expense has been adjusted to reflect the tax impact of the above mentioned pro forma adjustments at the statutory Australian tax rate of 30%.

These adjustments have been made on a consistent basis with those made in the Prospectus.

Highlights of full year result:

- Net Profit After Tax +123.5% over FY13 to $106.6m
- Sales revenue (excluding pass through) +1.8% over FY13 (+1.4% over Prospectus)
- EBITDA +51.7% over FY13 (+1.4% over Prospectus)
- Result has been driven by a combination of underlying growth and the continued impact of management cost initiatives

Consolidated Profit & Loss ($m)	June 2014 Pro forma Actual	June 2014 Pro forma Prospectus Forecast[2]	% Change	June 2013 Pro forma Actual[3]	% Change
Sales Revenue	**2,513.1**	**2,478.6**	**1.4%**	**2,468.7**	**1.8%**
Legacy pass through revenue	107.2	82.0		116.6	
Other income	0.4	0.0		0.6	
Total Revenue	**2,620.7**	**2,560.6**		**2,585.9**	
EBITDA	**252.2**	**248.8**	**1.4%**	**166.2**	**51.7%**
Depreciation	(53.2)	(55.0)	3.3%	(53.2)	0.0%
EBITA	**199.0**	**193.8**	**2.7%**	**113.0**	**76.1%**
Amortisation	(10.7)	(10.9)	1.8%	(10.2)	(4.9)%
EBIT	**188.3**	**182.9**	**3.0%**	**102.8**	**83.2%**
Net finance costs	(34.2)	(35.2)	2.8%	(34.7)	1.4%
Profit before tax	**154.1**	**147.7**	**4.3%**	**68.1**	**126.3%**
Income tax expense	(47.5)	(44.3)	(7.2)%	(20.4)	(132.8)%
Net Profit after tax	**106.6**	**103.4**	**3.1%**	**47.7**	**123.5%**
Amortisation of Customer Contracts (after tax)	5.5	5.7		5.7	
Unwind of Discounts on Provisions (after tax)	1.8	1.9		1.5	
Adjusted Net Profit after tax	**113.9**	**111.0**	**2.6%**	**54.9**	**107.5%**

2: As disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014.
3: Represents adjusted 12 months of operations as disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014.

Sales revenue from operations (prior to pass through) increased by 1.8% from the prior year (on a pro forma full year basis) and was 1.4% above prospectus forecast due primarily to stronger results in Facility Services despite the voluntary exit of unprofitable and marginal contracts. EBITDA for the year was $86.0m / 51.7% above the prior year and $3.4m / 1.4% above prospectus forecast attributable to increased revenue and the continued implementation of the cost saving and efficiency program which focussed on overheads, procurement reviews, property, insurance and contract efficiency savings.

1: The Pro forma financial information and EBITDA are non-IFRS financial information and have not been audited or reviewed in accordance with Australian Auditing Standards. Refer to Page 14 for detailed explanations of non-IFRS measures used within this report.

Reconciliation to Pro Forma Results

The following tables reconcile statutory net loss after tax to pro forma net profit after tax and statutory EBITDA to pro forma EBITDA:

Consolidated Net Profit after Tax ($m)	June 2014 Actual	June 2014 Prospectus Forecast[1]	June 2013 Actual[1]
Statutory Net Loss After Tax	**(34.7)**	**(41.4)**	**(92.8)**
Listed public company costs and director fees	(0.4)	(0.7)	(0.7)
Transaction and restructuring costs	67.3	71.0	92.6
New share based payment plan	(0.6)	(0.9)	(1.0)
1.5 month adjustment	0.0	0.0	5.4
Foreign currency translation costs	0.0	0.0	9.9
Discontinued operations	0.0	0.0	38.6
Total operating expense adjustments	**66.3**	**69.4**	**144.8**
Interest expense adjustment	135.6	137.5	35.1
Income tax expense adjustments	(60.6)	(62.1)	(39.4)
Total adjustments	**141.3**	**144.8**	**140.5**
Pro forma Net Profit After Tax	**106.6**	**103.4**	**47.7**

Consolidated EBITDA ($m)	June 2014 Actual	June 2014 Prospectus Forecast[1]
Statutory EBITDA	**185.9**	**179.4**
Listed public company costs and director fees	(0.4)	(0.7)
Transaction and restructuring costs	67.3	71.0
New share based payment plan	(0.6)	(0.9)
Total operating expense adjustments	**66.3**	**69.4**
Pro forma EBITDA	**252.2**	**248.8**

1: $1.3m of pro forma benefits (FY13: $1.2m) have been reclassified from "Transaction and restructuring costs" in the June 2014 Prospectus number into "Listed public company costs and directors fees" to more accurately disclose the nature of the item. This is consistent w ith the treatment of the corresponding June 2014 Actual amount.

Listed public company costs and directors fees relate to the full year impact of incremental costs associated with being a publicly listed entity including director and Board costs, insurance, listing fees, bank guarantee costs and external audit fees.

Transaction and restructuring costs for the year ended 30 June 2014 included the following items:

- IPO costs comprising:
  - Consulting, legal and other advisor costs;
  - Prospectus drafting and printing costs;
  - Initial listing fees;
  - Acceleration of previous share based payment expenses upon IPO;
  - Foreign exchange losses incurred on the early termination of derivatives;
- Staff redundancies;
- Management fees paid to PEP Advisory IV Pty Ltd; and
- Various other restructuring costs including surplus office lease costs.

New share based payment plan costs relate to the full year impact of the new share based payment plan implemented upon completion of the Initial Public Offer.

The adjustment to interest expense reflects the full year impact of the post IPO debt structure on interest expense, including the exclusion of the write-off of $74.7m of borrowing costs upon the termination of the previous debt arrangements during the year.

The income tax expense adjustment reflects the net tax impact of the above mentioned pro forma adjustments.

Operating Segments – Statutory

Segment Profit & Loss ($m)	June 2014 Statutory Actual	June 2014 Statutory Prospectus Forecast[3]	% Change	June 2013 Statutory Actual[1]	% Change
Sales Revenue					
Facility Services Segment	2,365.0	2,305.7	2.6%	2,009.7	17.7%
Laundries Segment	255.3	254.9	0.2%	226.3	12.8%
Sales Revenue	**2,620.3**	**2,560.6**	**2.3%**	**2,236.0**	**17.2%**
Other income	0.4	0.0	100.0%	0.3	33.3%
Total revenue	**2,620.7**	**2,560.6**	**2.3%**	**2,236.3**	**17.2%**
EBITDA					
Facility Services Segment	215.3	212.4	1.4%	120.7	78.4%
Laundries Segment	77.2	77.2	0.0%	62.0	24.5%
Total Operations	**292.5**	**289.6**	**1.0%**	**182.7**	**60.1%**
Unallocated Corporate Overheads[2]	(106.6)	(110.2)	3.3%	(130.6)	18.4%
Statutory EBITDA	**185.9**	**179.4**	**3.6%**	**52.1**	**256.8%**

1: Statutory revenue and EBITDA represents 10.5 months of operations.

2: June 2014 Statutory Actual includes $67.3m of transaction and restructuring costs.

3: As disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014. The Statutory Forecast information has not been audited or reviewed in accordance with Australian Auditing Standards.

Note: Facility Services and Laundries Statutory EBITDA prior to allocation of Corporate Overheads equals pro forma EBITDA prior to allocation of Corporate Overheads in FY14.

Comparisons to the prior year are not meaningful as statutory results for the year ended 30 June 2013 only incorporate the operations of Spotless from the date of acquisition (16 August 2014) until 30 June 2013 (i.e. 10.5 months).

Facility Services and Laundries sales revenue for FY14 were above prospectus forecast by 2.6% and 0.2% respectively. Statutory EBITDA was $6.5m / 3.6% above prospectus forecast due to above forecast results in Facility Services and below forecast transaction and restructuring costs.

Unallocated Corporate Overheads were significantly impacted by $67.3m of transaction and restructuring costs in FY14.

Operating Segments – Pro forma

Segment Profit & Loss ($m)	June 2014 Pro forma Actual	June 2014 Pro forma Prospectus Forecast[2]	% Change	June 2013 Pro forma Actual[1]	% Change
Sales Revenue					
Facility Services Segment	2,257.8	2,223.7	1.5%	2,206.9	2.3%
Laundries Segment	255.3	254.9	0.2%	261.8	(2.5)%
Sales Revenue	**2,513.1**	**2,478.6**	**1.4%**	**2,468.7**	**1.8%**
Legacy Pass through revenue	107.2	82.0	30.7%	116.6	(8.1)%
Other income	0.4	0.0	100.0%	0.6	(33.3)%
Total revenue	**2,620.7**	**2,560.6**	**2.3%**	**2,585.9**	**1.3%**
EBITDA					
Facility Services Segment	179.1	175.8	**1.9%**	103.8	**72.5%**
Laundries Segment	73.1	73.0	**0.1%**	62.4	**17.2%**
Pro Forma EBITDA	**252.2**	**248.8**	**1.4%**	**166.2**	**51.7%**

1: Represents adjusted 12 months of operations as disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014.

2: As disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014.

Note: Segment EBITDA is based on segment contribution after allocation of corporate overheads and adjusted for transaction and restructuring costs, listed public company costs and director fees and the new share based payment plan totalling $66.3m). Corporate overheads have been attributed to the segment on the basis of the proportion of sales revenue generated by the segment.

Sales revenue prior to legacy pass through exceeded forecast and FY13 (on a pro forma full year basis) by 1.4% and 1.8% respectively demonstrating solid underlying growth despite the targeted exit of a number of unprofitable and marginal contracts in the past 18 months. Statutory and Pro Forma EBITDA (after full allocation of corporate overheads) both exceeded forecast and FY13, underpinned by management's continued implementation of the cost and efficiency program with the full year impact of the program which commenced in 2013 being observed for the first time in 2014 together with the part year impact of initiatives implemented during FY14.

Facility Services

Facility Services ($m)	June 2014 Pro forma Actual[1]	June 2014 Pro forma Prospectus Forecast[1]	% Change Pro forma to Forecast	June 2013 Pro forma Actual[2]	% Change
Sales Revenue	2,257.8	2,223.7	1.5%	2,206.9	2.3%
EBITDA	179.1	175.8	1.9%	103.8	72.5%
EBITDA Margin	7.9%	7.9%	0 bps	4.7%	323 bps

1: After allocation of corporate overheads (adjusted for transaction and restructuring costs, listed public company costs and director fees and the new share based payment plan totalling $66.3m).
2: Represents adjusted 12 months of operations.

Facility Services pro forma revenue increased by $50.9m / 2.3% over the pro forma prior year despite the exit of unprofitable and marginal contracts. Pro forma EBITDA (after full allocation of pro forma corporate overheads) increased by $75.3m / 72.5% from FY13 on a pro forma full year basis. EBITDA margins increased by 323 bps to 7.9% reflecting the continued implementation of cost saving and efficiency programs together with stronger margins from PPP contracts.

Laundries

Laundries ($m)	June 2014 Pro forma Actual[1]	June 2014 Pro forma Propsectus Forecast[1]	% Change Pro forma to Forecast	June 2013 Pro forma Actual[2]	% Change
Sales Revenue	255.3	254.9	0.2%	261.8	(2.5)%
EBITDA	73.1	73.0	0.1%	62.4	17.2%
EBITDA Margin	28.6%	28.6%	0 bps	23.8%	480 bps

1: After allocation of corporate overheads (adjusted for transaction and restructuring costs, listed public company costs and director fees and the new share based payment plan totalling $66.3m).
2: Represents adjusted 12 months of operations.

Laundries pro forma revenue decreased marginally from the prior year ($6.5m / 2.5% on a pro forma 12 month basis) primarily due to the loss of a national workwear garment contract, partly offset by higher revenue and volumes from existing customers, particularly in Healthcare. Despite these revenue losses, pro forma EBITDA (after full allocation of pro forma corporate overheads) increased by $10.7m / 17.2% (equating to a 480 bps increase in EBITDA margins) reflecting the benefits of the cost out and efficiency programs.

Revenue by Customer Segment

Customer Sector Revenue ($m)	June 2014 Statutory Actual	June 2014 Pro forma Actual	June 2014 Pro forma Prospectus Forecast[1]	% Change Pro forma to Forecast	June 2013 Pro forma Actual[1]	% Change
Sales Revenue						
Health, Education and Government	945.4	945.4	927.1	2.0%	857.0	10.3%
Commercial and Leisure	742.4	742.4	739.7	0.4%	866.5	(14.3)%
Base and Township	677.2	570.0	556.9	2.4%	483.4	17.9%
Laundries (Laundry and Linen)	255.3	255.3	254.9	0.2%	261.8	(2.5)%
Sales Revenue	**2,620.3**	**2,513.1**	**2,478.6**	**1.4%**	**2,468.7**	**1.8%**

1: As disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014.

Health, Education and Government

Pro forma revenue growth FY14 from FY13 in the Health, Education and Government customer sector was primarily driven by Government and Health, partially offset by a decline in Education. The majority of the growth in Government was attributable to additional activity within existing contracts. Growth in Health was driven by higher activity levels within a number of Health contracts, including one material contract, and mobilisation revenue for two Health PPP contracts. The decline in Education was primarily driven by the loss of a number of tertiary and secondary education contracts, in a year during which an above average number of contracts in the Education portfolio were due for renewal.

Commercial and Leisure

Commercial and Leisure pro forma revenue declined from FY13 driven by Business and Industry partially offset by growth in Sports, Leisure and Entertainment. The decline in Business and Industry partially reflects the impact of contracts voluntarily exited as part of management's program to exit marginal and unprofitable contracts, together with other contract churn during the year. The increase in Leisure, Sports and Entertainment revenue is mostly driven by strong performances at four key stadia and conference centres and the annualised impact of a new Australian venue mobilised during FY2013, partially offset by lower revenue from three stadia contracts and the voluntary exit from a major cleaning contract with low levels of profitability.

Base and Township

Base and Township pro forma revenue increased from the prior year driven by an increase in Resources together with additional growth in existing Defence contracts. Resources growth was driven by the annualised impact of new camp services contracts mobilised during FY2013 and FY2014 across the Pilbara and Surat Basin regions. Growth in Defence was largely driven by increased activity levels within existing Australian contracts, partly offset by lower activity within New Zealand contracts.

5. Review of Financial Position

Working Capital

Working Capital ($m)	June 2014	June 2013	% Change
Trade and Other Receivables	326.9	331.4	(1.4)%
Inventory	22.9	21.7	5.5%
Prepayments	7.6	4.1	85.4%
Trade and Other Payables	(277.1)	(319.1)	13.2%
Provisions	(100.0)	(107.2)	6.7%
Net working Capital	**(19.7)**	**(69.1)**	**71.5%**

Net working capital increased to ($19.7m) during the year driven primarily by a $42.0m reduction in trade and other payables. As part of its procurement review, management successfully restructured its supplier arrangements; in aggregate, this resulted in a reduction in average prices paid to suppliers but also a reduction in payment days. Changes to payment practices have resulted in a reduction of payable days to what management believes is a more sustainable long term level.

Net Debt

Net Debt ($m)	June 2014	June 2013	% Change
Current Borrowings	-	17.1	(100.0)%
Non-Current Borrowings[1]	631.9	564.9	11.9%
Finance leases	0.3	0.5	(40.0)%
Gross Debt	632.2	582.5	8.5%
Less: Cash and Cash Equivalents	(105.4)	-	100.0%
Net debt	**526.8**	**582.5**	**(9.6)%**

1: Net of borrowing costs

Net debt of $526.8m at 30 June 2014 is ahead of prospectus forecast. As net debt at year end is reflective of the post IPO debt structure, meaningful analysis against the prior comparative period is not possible. The cash position as at 30 June 2014 is ahead of management's target level of cash post IPO due to a favourable cash flow variance and lower than expected IPO costs.

Net debt / FY14 pro forma EBITDA of 2.09x was ahead of the prospectus target of 2.48x.

Cash Flow

Cash Flow ($m)	June 2014 Statutory Actual	June 2014 Pro forma Actual	June 2014 Pro forma Prospectus Forecast[2]	% Change	June 2013 Pro forma Actual[2]	% Change
EBITDA	**185.9**	**252.2**	**248.8**	**1.4%**	**166.2**	**51.7%**
Changes in working capital[3]	(56.1)	(66.4)	(76.8)	**13.5%**	7.0	**1048.6%**
Maintenance capital expenditure[1]	(39.1)	(39.1)	(38.7)	**(1.0)%**		**N/A**
Add non cash items / other items	0.8	0.8	1.0	**(20.0)%**	1.0	**(20.0)%**
Free Cash Flow	**91.5**	**147.5**	**134.3**	**9.8%**	**174.2**	**(15.3)%**
Growth and SAP IT Capital Expenditure[1]	(37.7)	(37.7)	(38.3)	**1.6%**	(94.4)	**60.1%**
Net cash flow before financing and tax	**53.8**	**109.8**	**96.0**	**14.4%**	**79.8**	**37.6%**
Free Cash Flow Conversion	**49.2%**	**58.5%**	**54.0%**	**451 bps**	**N/A**	**N/A**

1: June 2013 pro forma Growth and SAP IT Capital Expenditure also includes Maintenance capital expenditure which is separately disclosed in the June 2014 pro forma actual cash flow.

2: As disclosed in the Spotless Group Holdings Limited prospectus lodged with ASIC on 28 April 2014.

3: Includes cash movement in non-current provisions

Pro forma net cash flows before financing and tax increased by $30.0m over the prior year (on a pro forma full year basis). This increase was driven predominantly by the significant increase in EBITDA from the prior year as well as decreased total capital expenditure following a reduction in laundry rental stock investment (procurement savings) and a decline in SAP expenditure as the project nears completion. These positive movements were partially offset by an increase in working capital outflows following changes to supplier terms during the year. FY13 changes in working capital were significantly higher than in previous years and FY14 due to a significant focus by new management immediately following the acquisition on the management and collection of receivables which were above average at 30 June 2012. Receivables balances are now considered to be at a sustainable level given current sales volumes and terms. Employee provisions also decreased as annual leave provisions were closely managed over the summer and Easter periods.

6. Outlook

Based on the results achieved for the year ended 30 June 2014, Spotless remains on target to achieve the following full year statutory and pro-forma forecast for the year ended 30 June 2015 as disclosed in the Prospectus:

- Revenue - $2,694.4 million
- EBITDA - $301.4 million
- NPAT – $134.5 million
- Adjusted NPAT - $141.8 million

Defined Terms

Spotless' Financial Statements for the year ended 30 June 2014 have been prepared in accordance with Australian Accounting Standards.

Spotless uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are referred to as non-IFRS financial measures and are intended to supplement the measures calculated in accordance with Australian Accounting Standards and not be a substitute for those measures. A reconciliation between statutory and pro forma NPAT and EBITDA has been provided on page 9.

Non-IFRS and pro forma measures have not been subject to audit.

The principal non-IFRS financial measures used in this presentation are described below:

Glossary

Adjusted NPAT	NPAT adjusted to add back the non-cash impact of amortisation of customer contracts (after tax) and the unwind of discounts on provisions (after tax).
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
Free Cash Flow	Free cash flow is calculated as EBITDA less changes in working capital less maintenance capital expenditure.
Free Cash Flow Conversion	Free cash flow conversion is Free Cash Flow divided by EBITDA expressed as a percentage
Legacy pass through revenue	Revenue received from one large government contract to procure certain goods and services on behalf of the customer. The customer reimburses Spotless for the cost of supply, with no margin.
Pro forma EBITDA	Pro forma EBITDA is based on EBITDA, however pro forma adjustments have been made to remove the impact of one-off transaction and restructuring costs as well as include public company costs for the full financial year.
Pro forma NPAT	Pro forma NPAT is based on NPAT, however pro forma adjustments have been made to remove the impact of one-off transaction and restructuring costs, write-off of borrowing costs and include public company costs for the full financial year. NPAT has also been adjusted to reflect the full year impact on interest expense of the post IPO debt structure.
Sales Revenue	Sales revenue comprises revenue excluding legacy pass through revenue and other income.
Working Capital	Working capital is defined as the total of current trade and other receivables, inventory, prepayments, trade and other payables, current provisions and other current creditors.

Significant changes in state of affairs

On 3 October 2013, the Consolidated Entity secured US$1,080 million of external borrowings comprising a five year US$845 million term loan and a five and a half year US$235 million term loan. Variable rate interest is charged on these facilities and the Consolidated Entity entered into derivative arrangements to swap these payments into fixed Australian Dollar interest payments. Part of the proceeds from the drawdown of these facilities was used to fully repay and terminate the existing secured multi-option debt facility. Additionally, the Consolidated Entity secured an AUD$200 million revolving cash advance facility which incurred variable rate interest for a term of four and a half years.

As a result of the refinancing, capitalised refinancing costs of $34.9 million related to the previous facility were written off.

On 22 November 2013, the Company reduced its paid-up share capital by $301.5 million by paying each ordinary shareholder the amount of $0.47771 for each ordinary share held by way of return of capital.

On 25 March 2014, the Company changed its name to Pacific Industrial Services Limited and on 24 April 2014 to Spotless Group Holdings Limited.

On 23 May 2014, Spotless Group Holdings Limited successfully listed on the Australian Stock Exchange and in doing so, raised $695.3m in capital through the issue of new ordinary shares. On the 28 May 2014, the Consolidated Entity repaid in full, $1,224.7m of pre-existing external borrowings and in turn drew down $637.0m of external borrowings under a new three and four year Syndicated Facility Agreement. Transaction costs totalling $80.5m were incurred as a result of the Initial Public Offering and subsequent refinancing. Of these costs, $30.8m impacted the profit and loss for the year, $46.2m was recorded as a cost of equity and $3.5m was included as a cost of debt. Borrowing costs totalling $39.8m relating to the old term loan facilities were expensed to profit and loss upon the refinance.

In addition to the above costs, a further $36.5m of other transaction and restructuring costs were incurred during the year.

Significant events subsequent to balance date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significant affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in future financial years.

Likely developments

Details of developments in the operations of the consolidated entity in future financial years and the expected results of those operations are disclosed in the Operating and Financial Review on pages 5 to 14 of the Appendix 4E and Review of Operations.

Dividends

On 22 November 2013, the Company paid an interim dividend for financial year 2014 of $0.23529 per ordinary share, amounting to $148.5 million.

No other dividends were paid or declared during the financial year or up until the date of this report.

Share options

9,358,816 share options were granted to senior executives of the Consolidated Entity during the year ended 30 June 2014.

Environmental Regulation

The Consolidated Entity has processes in place to ensure that it is aware of and, at a minimum, meets the intent of environmental legislation and regulations. It further has established programs to improve environmental performance (e.g. Laundry water reuse and heat exchange) which contributes to business effectiveness as well as providing socially responsible outcomes.

Indemnification of Officers

The Company's Constitution allows the Company to indemnify Directors and officers against liability which results from their serving as a director or officer of the Company, subject to certain conditions.

During the year ended 30 June 2014, the Consolidated Entity paid a premium for insurance covering all Directors and officers of the Consolidated Entity. The events covered by this policy are in respect of amounts that the Director or officer has become legally obliged to pay resulting from claims made during the policy period for loss caused or alleged to be caused by a wrongful act committed by a Director or officer while acting in that capacity. The contract of insurance prohibits the disclosure of the terms, the nature, the limit of liability and the amount of the premium, except where disclosure is required by law.

The Company and its Directors have entered into a deed of indemnity, insurance and access. The executive officers of the Consolidated Entity are also entitled to the benefits of the deed.

No amount has been paid pursuant to those indemnities in the year ended 30 June 2014 or since that date to the date of this report.

Auditor's independence declaration

The auditor's independence declaration is included on page 66.

Non-audit services

Ernst & Young, the external auditor to the Consolidated Entity, provided non statutory audit services to the Consolidated Entity during the year ended 30 June 2014. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young received or are due to receive $2,696,095 for the provision of non-audit services to the Consolidated Entity. Amounts paid or payable by the Consolidated Entity for audit and non-audit services are disclosed in Note 29 to the financial report.

Proceedings brought on behalf of Spotless Group Holdings Limited

The Corporations Act allows members and other specified persons to bring actions on behalf of the Company. There have been no proceedings or applications brought on behalf of the Company pursuant to section 237 of the *Corporations Act 2001.*

Rounding

Spotless Group Holdings Limited is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report have been rounded to the nearest hundred thousand dollars, unless otherwise indicated.

REMUNERATION REPORT

OVERVIEW

This Remuneration Report sets out the policy, framework and conditions for the remuneration of Key Management Personnel (**KMP**) of Spotless Group Holdings Limited and the entities it controls (collectively referred to in this report as the **Consolidated Entity**) in accordance with the requirements of the *Corporations Act 2001* and its regulations. This information has been audited as required by section 308(3C) of the Act.

This report is presented under the following sections:
- Our Key Management Personnel (KMP)
- How we determine KMP remuneration
- Remuneration overview for the year ended 30 June 2014
- Non-executive director remuneration
- Executive remuneration
- Options and shareholdings
- Other transactions

OUR KEY MANAGEMENT PERSONNEL (KMP)

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Consolidated Entity, directly or indirectly, including any director (whether executive or otherwise).

Table 1. KMP

Non- Executive Directors		
Margaret Jackson AC	Chairman	Appointed 20 March 2014
Diane Grady AM	Non-Executive Director	Appointed 28 March 2014
Garry Hounsell	Non-Executive Director	Appointed 20 March 2014
The Hon Nick Sherry	Non-Executive Director	Appointed 26 March 2014
Rob Koczkar	Non-Executive Director	
Geoff Hutchinson	Non-Executive Director	
Anthony Kerwick	Non-Executive Director	Resigned 17 April 2014
Shannon Wolfers	Non-Executive Director	Resigned 17 April 2014
Executive Directors		
Bruce Dixon	Chief Executive Officer & Managing Director	
Vita Pepe	Chief Operating Officer	Resigned 17 April 2014*
Josef Czyzewski	Group General Manager – Strategy & Development	Resigned 17 April 2014#
Other KMP		
Vita Pepe	Chief Operating Officer	
Danny Agnoletto	Chief Financial Officer	Appointed 7 August 2013

* Vita Pepe resigned as a director on 17 April 2014 but remains Chief Operating Officer.
# Josef Czyzewski resigned as Chief Financial Officer on 7 August 2013. He resigned as an executive director on 17 April 2014 at which point he also ceased to be a KMP.

There were no other changes to KMP after the reporting period and before the date the financial report was authorized for issue.

HOW WE DETERMINE KMP REMUNERATION

People and Remuneration Committee

The Board has established the People and Remuneration Committee to:
- review and make recommendations to the Board with respect to the Consolidated Entity's human resources policies and obligations;
- to make recommendations to the Board on remuneration packages and policies related to the directors and senior management; and
- to ensure that the remuneration policies and practices are consistent with the Consolidated Entity's strategic goals.

The committee comprises non-executive directors Diane Grady AM (chairman), Margaret Jackson AC, The Hon. Nick Sherry and Rob Koczkar.

Further information on the role of the Committee and meetings held throughout the year are set out in the Corporate Governance Statement and the Directors' Report.

External advisors and remuneration advice

In performing their roles, the Board and the People and Remuneration Committee directly commission and receive information, advice and recommendations from independent external advisors. This assists the directors to make informed decisions when considering the Consolidated Entity's remuneration policies and practices.

Egan Associates has been engaged as a remuneration consultant and has provided remuneration recommendations which were reviewed by the Board following Spotless' listing. The Board is satisfied that the remuneration recommendations received from Egan Associates during the year were free of undue influence. All communications between the Consolidated Entity and Egan Associates in relation to the remuneration recommendations were subject to strict guidelines, including that information provided to Egan Associates could not be selective or unbalanced, or imply that future work is contingent on Egan Associates giving particular recommendations. In addition, Egan Associates provided a declaration to the Board that the remuneration recommendations it made were free from any undue influence from the Consolidated Entity's KMP. For the year ended 30 June 2014, the Consolidated Entity paid fees totaling $54,500 to Egan Associates.

KMP remuneration policy framework

Non-executive directors

Fees and payments to non-executive directors reflect the demands and responsibilities of those directors. The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to non-executive directors of comparable companies. The Board considers advice from external consultants when undertaking the annual review process.

Executive KMP

The remuneration structure for executive KMP seeks to ensure that executive rewards are structured to attract and retain talent and deliver a balanced outcome for shareholders.

The remuneration structure for executive KMP provides a mix of fixed and variable pay; being a blend of short-term incentives (**STIs**) and long-term incentives (**LTIs**). This structure is designed to:
- encourage a performance-based workplace culture;
- reward capability and performance through recognition of contribution to meeting business objectives;
- have profit as a core component of reward design;
- focus on sustained growth in shareholder returns as well as focusing the executives on key non-financial drivers of value; and
- attract and retain high-caliber executives.

REMUNERATION OVERVIEW FOR THE YEAR ENDED 30 JUNE 2014

Prior to the Company's ASX listing on 23 May 2014, the Company's Chief Executive Officer & Managing Director (**CEO**) and other executive KMP had been engaged under a combination of fixed remuneration and discretionary short term incentive cash bonuses. The CEO and a number of other executive KMP also held options over shares in the Company which they had been acquired for fair value following the acquisition of Spotless Group Limited by funds managed and/or advised by Pacific Equity Partners in 2012. These options were either exercised or sold for fair value at around the date of the Company's listing in May 2014.

Following a Board review conducted by Egan Associates, the remuneration arrangements of the CEO and other executive KMP were revised to take effect on and from the listing of the Company in May 2014 with a view to ensuring alignment between executive remuneration, group performance and shareholder returns.

As part of this review, the Board:
- revised the fixed remuneration (**Fixed Annual Remuneration**) for the CEO and other executive KMP of Spotless based on a market based review of comparable listed companies;
- established a new predominantly cash-based Short Term Incentive Plan (**STI Plan**); and
- established an equity-based Long Term Incentive Plan (**LTI Plan**).

Details are provided on pages 20 to 25 of this report.

NON-EXECUTIVE DIRECTOR REMUNERATION

On appointment to the Board, all non-executive directors sign a letter of appointment. The letter summarises the Board policies and terms relevant to the office of director (including remuneration).

In addition, the total amount of fees paid to all directors for their services (excluding, for these purposes, the salary of any executive director) must not exceed in aggregate in any financial year the amount fixed by the Company at the Annual General Meeting. This amount has been fixed at $2 million per annum. The aggregate sum includes any special and additional remuneration for special exertions and additional services performed by a director as determined appropriate by the Board. The Board will not seek any increase to this aggregate sum at the 2014 AGM.

The remuneration of non-executive directors consists of directors fees and committee fees. The payment of additional fees for serving on a committee recognises the additional time commitment required by non-executive directors who serve on sub-committees. The Chairman of the Board attends all committee meetings but does not receive any additional fees in addition to Board fees.

The following annual directors' fees currently apply:

Table 2. Annual directors' fees

Directors Fees	**$ per annum**
Chairman	320,000
Non-executive director	160,000
Additional Committee Fees	
Chairman of the Audit, Business Risk and Compliance Committee	40,000
Chairman of the People and Remuneration Committee	35,000

All directors' fees include superannuation. Non-executive directors do not receive retirement benefits, nor do they participate in any incentive programs.

Table 3 below presents the details of remuneration received by the non-executive directors for the year ended 30 June 2014:

Table 3. Non-executive directors' remuneration details

		Short Term Benefits $				Post Employment $		Share Based Payments $		Total $	%of Rem Performance Based
	Financial Year	Salary	Bonus	Non-Monetary	Other Payments	Superann-uation	Termination Payments	Share Options	Shares		
Non- Execuitve Directors											
M Jackson	2014	32,054	-	-	-	2,965	-	-	240,000	**275,019**	0%
D Grady	2014	18,930	-	-	-	1,751	-	-	146,250	**166,931**	0%
G Hounsell	2014	19,416	-	-	-	1,796	-	-	150,000	**171,212**	0%
N Sherry	2014	15,533	-	-	-	1,437	-	-	120,000	**136,970**	0%
G Hutchinson	2014	15,533	-	-	-	1,437	-	-	-	**16,970**	0%
R Koczkar	2014	15,533	-	-	-	1,437		-	-	**16,970**	0%
A Kerwick	2014	-	-	-	-	-	-	-	-	**-**	0%
S Wolfers	2014	-	-	-	-	-	-	-	-	**-**	0%
Total	**2014**	**116,999**	**-**	**-**	**-**	**10,823**	**-**	**-**	**656,250**	**784,072**	**0%**

As consideration for the additional work undertaken in connection with the listing of the Company, upon the Company's' listing, each of Margaret Jackson AC, Diane Grady AM, Garry Hounsell and the Hon. Nick Sherry received a one-off bonus in the form of fully paid ordinary shares in the Company. The amount of the bonus payable was $240,000 in shares for the Chairman, $150,000 in shares for the chairman of the Audit and Risk Management Committee, $146,250 in shares for the chairman of the People and Remuneration Committee and $120,000 in shares for The Hon. Nick Sherry.

EXECUTIVE REMUNERATION

Overview

The Consolidated Entity's executive remuneration framework has three components:

- Fixed Annual Remuneration – base pay and benefits, including superannuation;
- STIs through participation in the Consolidated Entity's Short Term Incentive Plan (STI Plan); and
- LTIs through participation in the Consolidated Entity's Long Term Incentive Plan (LTI Plan).

Remuneration levels will be reviewed annually through a remuneration review that considerations market data, insights into remuneration trends, the performance of the Company and individual, and the broader economic environment.

Table 4 below presents details of the remuneration for the executive KMP for the year ended 30 June 2014.

Table 4. Executive KMP remuneration details

		Short Term Benefits $				Long Term Benefits $	Post Employment $		Share Based Payments $		Total $	% of Rem Performance Based
	Financial Year	Salary	Bonus	Non-Monetary	Annual Leave	Long Service Leave	Superann-uation	Termination Payments	Share Options	Shares		
Executive Directors												
B Dixon	2014	725,812	111,421	-	28,406	2,318	17,775	-	1,603,559	-	**2,489,291**	**69%**
J Czyzewski*	2014	386,454	-	-	18,413	783	15,534	-	153,814	-	**574,999**	**27%**
Other KMP												
V Pepe	2014	493,993	76,736	-	1,533	1,157	17,775	-	1,588,887	-	**2,180,081**	**76%**
D Agnoletto	2014	440,036	376,301	-	28,051	421	17,775	-	5,044	-	**867,628**	**44%**
Total	**2014**	**2,046,295**	**564,458**	**-**	**76,403**	**4,679**	**68,859**	**-**	**3,351,304**	**-**	**6,112,000**	**64%**

**J Czyzewski ceased to be a KMP on 17 April 2014*

Fixed Annual Remuneration explained

Fixed Annual Remuneration comprises of base salary and benefits, including compulsory superannuation contributions.

Fixed Annual Remuneration levels for each executive were set following a market-based review having regard to comparable listed companies with comparable gross revenues, operating profit and market capitalisation to the Company, with similar business complexities and in broadly similar industry sectors to the Company. The scope and nature of each individual's role, the experience of the individual and performance in that role, are also considered.

STI Plan explained

The CEO, other executive KMP and other selected employees of the Consolidated Entity are eligible to participate in the STI Plan.

Under the STI Plan, participants have an opportunity to receive an incentive payment calculated as a percentage of their Fixed Annual Remuneration each year, conditional upon achievement of company and individual, financial and non-financial key performance indicators (**KPIs**).

Performance measures are determined relative to operational and financial targets, set by the Board, to be achieved annually. These short-term targets are chosen to encourage outcomes and behaviors that support the safe operation and delivery of the base business while pursuing long-term growth in shareholder value, and are reviewed annually by the Board to ensure that they align with business strategy for the year. The performance measures against which each participant's STI is assessed and their relative weightings are tailored to a participant's role and are set by the Board each year.

At least 70% and up to 100% of the annual award outcome is dependent on financial and quantitative KPIs (for instance a weighting across the Consolidated Entity's revenue, EBITDA and NPAT performance). Up to 30% of the annual award is assessed having regard to non-financial KPI's including both qualitative and quantitative measures such as specific business integration objectives, strategic and growth initiatives, and people and safety measures.

Actual STI payments awarded to each executive will depend on the extent to which specific targets set at the beginning of the financial year are met (subject to the exercise of Board discretion).

STI Plan for FY14

In respect of the financial year ended 30 June 2014, an EBITDA performance measure was applied in the relation to the award of an STI to the executive KMP and other selected senior executive employees. The EBITDA hurdle was selected on the basis that it has a direct correlation to the financial performance of the Consolidated Entity.

For the financial year ended 30 June 2014, 50% of the maximum available STIs were awarded to executive KMP.

In addition, in the case of the Chief Financial Officer (**CFO**), Danny Agnoletto, an additional STI award was made on the basis of the Company achieving a successful IPO in accordance with his individual employment agreement.

STI Plan for FY15

For the year ending 30 June 2015, the maximum STI that may be awarded to executive KMP has been set as follows, expressed as a percentage of Fixed Annual Remuneration:

Position	Maximum STI
CEO	90%
CFO and COO	75%

Under the STI Plan, from the year ending 30 June 2015, it is intended that 30% of any incentive awarded to the CEO, CFO and Chief Operating Officer (**COO**) will be deferred. It is intended that such deferred component would be in the form of restricted shares, subject to obtaining shareholder approval (if required) and the award of shares to the relevant participant being permitted under applicable law. Otherwise, the deferred component would be in the form of cash. Vesting of the deferred component will be conditional on the participant remaining employed by the Consolidated Entity at the time of vesting, except in certain circumstances where employment is terminated without cause, in which case the deferred component will vest immediately. The remaining incentive award will be paid in cash.

STI Accounting treatment

The financial impact of the STI is expensed in the relevant financial year and is reflected in the remuneration disclosures for executive KMP.

LTI Plan explained

The executive KMP and other selected employees of Spotless are eligible to participate in the LTI Plan.

The purpose of the Consolidated Entity's longer-term incentives is to focus executives' efforts on the achievement of sustainable long-term growth and success of the Consolidated Entity and to align executive rewards with sustained shareholder returns through financial metrics based on absolute earnings per share (**EPS**) performance and relative Total Shareholder Return (**TSR**) performance.

The Consolidated Entity's LTI Plan currently applies grants of unlisted options over ordinary shares in the Company at an exercise price equal to the issue price of the Company's shares at listing (for the FY14 grant, refer below) with the vesting of the options being conditional on achievement of agreed EPS and TSR performance hurdles and satisfaction of service conditions over a designated period. The performance hurdles and conditions under the Consolidated Entity's long-term incentive awards are designed to create and deliver sustained shareholder returns and to reward executives when shareholders benefit.

LTI Plan for FY14

In the year ended 30 June 2014, the CEO and other executive KMP were granted options under the LTI Plan which were granted in two tranches:

- the first tranche involving the grant of options (**Tranche 1 Options**) equal in value to 25% of the aggregate value of the options to be granted;
- the second tranche involving the grant of options (**Tranche 2 Options**) equal in value to 75% of the aggregate value of the options to be granted.

Each grant of options was on the following general terms:

Table 5. Key terms for LTI option grants

Consideration for grant	Nil.
Exercise price	An amount equal to $1.60 per option (the issue price of Spotless' shares on listing)
Vesting Period	The period commencing on the date of grant and ending on: • 30 June 2016, in respect of Tranche 1 Options; and • 30 June 2017, in respect of Tranche 2 Options.
Exercise Period	• In respect of Tranche 1 Options: from the date of the relevant vesting notice until 30 June 2017; and • In respect of Tranche 2 Options: from the date of the relevant vesting notice until 30 June 2018.
Option Vesting Conditions	Performance hurdles: • 50% of the options granted will vest subject to a relative total Shareholder return (TSR) performance hurdle over the relevant Vesting Period (**TSR Options**); and • the remaining 50% of the options granted will vest subject to an earnings per share (EPS) performance hurdle over the relevant Vesting Period (**EPS Options**). The Company's TSR from the date of listing will be assessed against the relative performance over the relevant Vesting Period as measured against a comparator group comprising the S&P/ASX 200, excluding the Financials and Resources sectors. This comparator group was deemed most appropriate by the Board so as to best ensure that that the Company's performance is measured against a representative cross section of comparable Australian industrial companies and that companies in sectors with greater volatility and in which the Company does not operate are excluded. The relative TSR performance hurdles and corresponding percentages of the maximum number of TSR Options that would vest are as follows: • below the 51st percentile TSR growth – 0%; • at the 51st percentile TSR growth – 50%; • equal to or above the 51st percentile but below the 75th percentile TSR growth – pro-rata straight-line between 50% and 100%; and • equal to or above the 75th percentile TSR growth – 100%. The share price baseline for the TSR calculation will be $1.60 (the issue price of the Company's shares on listing). TSR performance is monitored by an independent external adviser at 30 June each year. The relative EPS performance hurdles (being the compound annual EPS growth over the relevant Vesting Period, adjusted to take into account one-off items associated with the IPO, if necessary ("**CAGR**") and corresponding percentages of the maximum number of EPS options that would vest have been determined by the Board. The Board considers that the EPS performance hurdles are sufficiently challenging and have been set taking account of the key objectives of the Plan, being to assist in the motivation and retention of senior management. The Board retains discretion to adjust the EPS performance hurdles to reflect appropriate changes in circumstances (e.g. acquisitions or divestments). The options will not vest unless at the time of satisfaction of all other Option Vesting Conditions, the volume weighted average price of shares traded on the ASX calculated over the last five trading days on which sales in the shares are recorded, is 105% or more of the exercise price, or such other percentage as determined by the Board.

The LTI that may be awarded annually to executive KMP has been set as follows, expressed as a percentage of Fixed Annual Remuneration:

Position	LTI
CEO	100%
CFO and COO	50%

LTI Accounting treatment

Options issued under the LTI are expensed on a straight line basis over a two and three year period, commencing from the grant date. Under Accounting Standards, The Company is required to recognise an expense irrespective of whether the Options ultimately vests to the senior manager. A reversal of the expense is only recognised in the event the Options lapse due to cessation of employment within the three year period or upon the non-achievement of EPS hurdles. The 'Remuneration of KMP' in Table 4 reflects the accounting expense recognised in the relevant financial year, not the total fair value of Options allocated to the executive during the year, which is disclosed in Table 6.

Executive service agreements

Remuneration and other terms of employment for the CEO and the other executive KMP are formalised in service agreements. Each of these agreements prescribes a Fixed Annual Remuneration amount, a STI reward subject to the STI Plan, other benefits and, when eligible, LTI rewards through participation in the LTI Plan. Other key provisions of the agreements relating to remuneration including termination provisions are set out below.

Chief Executive Officer & Managing Director

The Consolidated Entity has entered into an employment agreement with Bruce Dixon to govern his employment with Consolidated Entity as its Chief Executive Officer & Managing Director.

Bruce Dixon, upon listing on the ASX, became entitled to receive total Fixed Annual Remuneration (comprising base salary, superannuation and any other non-cash benefits) of $1,100,000 per annum. Prior to this, his Fixed Annual Remuneration was $701,300. Bruce Dixon is also entitled to participate in the Consolidated Entity's STI Plan. Prior to the year ending 30 June 2015, the maximum annual incentive that Bruce Dixon will be eligible to receive under the STI Plan will be a cash payment of no greater than the maximum annual incentive that may be awarded in the year ending 30 June 2015. Commencing in the year ending 30 June 2015, the maximum annual incentive that may be awarded to Bruce Dixon under the STI Plan is 90% of his total Fixed Annual Remuneration depending on the achievement of certain performance criteria (see page 21 for further details). It is also proposed that from the year ending 30 June 2015, 30% of any annual incentive awarded to Bruce Dixon under the STI Plan will be deferred for a period of 12 months in the form of restricted shares, subject to obtaining shareholder approval (if required) and the award of shares being permitted under applicable law. Vesting of the deferred component will be conditional on Bruce Dixon remaining employed by the Consolidated Entity at the time of vesting, except in certain circumstances where his employment is terminated without cause, in which case, the deferred component will vest immediately. The remaining incentive award will be paid in cash. Bruce Dixon is also eligible to participate in the LTI Plan (see page 21 for further details).

The Consolidated Entity granted 3,254,746 options under the LTI Plan to Bruce Dixon upon listing on the ASX. Subject to the satisfaction of vesting conditions set by the Plan Committee, 878,594 options will vest on 30 June 2016 and 2,376,152 options will vest on 30 June 2017. The key terms and conditions (including the exercise price and vesting conditions) applicable to the options granted to Bruce Dixon under the LTI Plan are set out at page 21. It is intended that future grants of shares, options or rights under the LTI Plan will be made annually and that these will vest three years from issue or grant, subject to the satisfaction of vesting conditions set by the Plan Committee.

Bruce Dixon's employment agreement may be terminated by the Consolidated Entity or Bruce by giving at least six months' notice in writing of such termination or, alternatively in the Consolidated Entity's case, payment in lieu of notice. In the event of such termination, the Consolidated Entity may direct Bruce Dixon to take enforced leave (**Gardening Leave**) during any notice period of termination, during which time he will remain an employee and entitled to receive remuneration and all other contractual benefits.

The Consolidated Entity may terminate Bruce Dixon's employment without notice or payment in lieu of notice for serious and wilful misconduct. If there is a substantial diminution of Bruce Dixon's responsibilities or authority or if he ceases to report to the Board (except with his consent or where the Consolidated Entity has terminated his employment) (**Fundamental Change**), Bruce Dixon may terminate his employment agreement by giving one month's notice in writing within 30 days of the Fundamental Change, in which case he will be entitled to a payment equivalent to six months' base salary and superannuation.

Upon the termination of Bruce Dixon's employment agreement, he will be subject to a restraint of trade period of 12 months (less any period of Gardening Leave). The enforceability of the restraint clause is subject to all usual legal requirements.

Other executive KMP

The Consolidated Entity's other executive KMP are employed under individual service agreements. These establish:

- variable notice and termination provisions:
  - of up to six months;
  - by the Consolidated Entity without notice in the event of serious misconduct; or
  - in the case of one executive KMP, by that person on one month's notice in specified circumstances where there is a substantial diminution of that person's responsibilities or authority, in which case the KMP will be entitled to a payment equivalent to six months' remuneration;
- eligibility to participate in the STI Plan up to a specified percentage of Fixed Annual remuneration (refer to page [21] for further details about the STI Plan);
- eligibility to participate in the LTI Plan (refer to page [22] for further details about the LTI Plan); and
- leave entitlements in accordance with applicable legislation.

OPTIONS AND SHAREHOLDINGS

Options awarded, vested and lapsed

The following table details options granted to KMP during the year ended 30 June 2014 and that vested and lapsed during the year.

Table 6. Options awarded, vested and lapsed

	Year	Options awarded during the year No.	Award date	Performance Hurdle	Fair value per option $	Vesting Date	Exercise price $	Expiry date	Options vested / sold during the year No.	Options lapsed during the year No.
Executive Directors										
B Dixon	2014	439,297	26/05/2014	EPS	0.192	30/06/2016	1.60	30/06/2017	-	-
	2014	439,297	26/05/2014	TSR	0.185	30/06/2016	1.60	30/06/2017	-	-
	2014	1,188,076	26/05/2014	EPS	0.213	30/06/2017	1.60	30/06/2018	-	-
	2014	1,188,076	26/05/2014	TSR	0.209	30/06/2017	1.60	30/06/2018	-	-
	2013	-	10/12/2012	IPO	0.110	28/05/2014	1.25	28/05/2014	17,500,000	-
J Czyzewski#	2014	-	-	-	-	-	-	-	-	-
Other KMP										
V Pepe	2014	119,808	26/05/2014	EPS	0.192	30/06/2016	1.60	30/06/2017	-	-
	2014	119,808	26/05/2014	TSR	0.185	30/06/2016	1.60	30/06/2017		
	2014	324,021	26/05/2014	EPS	0.213	30/06/2017	1.60	30/06/2018	-	-
	2014	324,021	26/05/2014	TSR	0.209	30/06/2017	1.60	30/06/2018		
	2013	-	10/12/2012	IPO	0.110	28/05/2014	1.25	28/05/2014	17,500,000	-
D Agnoletto	2014	109,824	26/05/2014	EPS	0.192	30/06/2016	1.60	30/06/2017	-	-
	2014	109,824	26/05/2014	TSR	0.185	30/06/2016	1.60	30/06/2017		
	2014	297,019	26/05/2014	EPS	0.213	30/06/2017	1.60	30/06/2018	-	-
	2014	297,019	26/05/2014	TSR	0.209	30/06/2017	1.60	30/06/2018		
Total	**2014**	**4,956,091**							**35,000,000**	**-**

#*J Czyzewski ceased to be a KMP on 17 April 2014*

The following table details the number of shares issued to KMP during the year ended 30 June 2014 as a result of the exercise of options.

Table 7. Shares issued upon exercise of options

	Shares issued No.	Amount paid per share $	Amount unpaid per share $
Executive Directors			
B Dixon	9,799,293	0.54	-
J Czyzewski#	-	-	-
Other KMP			
V Pepe	9,799,293	0.54	-
D Agnoletto	-	-	-
Total	**19,598,586**		**-**

#*J Czyzewski ceased to be a KMP on 17 April 2014*

The following table details option holdings of KMP and movements during the year ended 30 June 2014.

Table 8. KMP option holdings

	Options at beginning of the year	Granted as remuneration	Options vested / sold	Options lapsed	Options held at the end of the year
Executive Directors					
B Dixon	17,500,000	3,254,746	(17,500,000)	-	**3,254,746**
J Czyzewski*	1,700,000	-	-	-	**N/A**
Other KMP					
V Pepe	17,500,000	887,658	(17,500,000)	-	**887,658**
D Agnoletto	-	813,687	-	-	**813,687**
Total	**36,700,000**	**4,956,091**	**- 35,000,000**	**-**	**4,956,091**

**J Czyzewski ceased to be a KMP on 17 April 2014*

Shareholdings

The following table details share holdings of KMP and movements during the year ended 30 June 2014.

Table 9. KMP shareholdings

	Shares at beginning of the year**	Granted as remuneration	On exercise of options***	Net other changes	Shares held at the end of the year
Non-Executive Directors					
M Jackson	**-**	150,000	-	1,875,000	**2,025,000**
D Grady	**-**	91,406	-	34,375	**125,781**
G Hounsell	**-**	93,750	-	125,000	**218,750**
N Sherry	**-**	75,000	-	12,500	**87,500**
G Hutchinson	**-**	-	-	46,875	**46,875**
R Koczkar	**-**	-	-	312,500	**312,500**
A Kerwick	**-**	**-**	**-**	**-**	**N/A**
S Wolfers	**-**	**-**	**-**	**-**	**N/A**
Executive Directors					
B Dixon	4,632,515	-	9,799,293	(1,853,006)	**12,578,802**
J Czyzewski*	231,626	**-**	**-**	**-**	**N/A**
Other KMP					
V Pepe	4,632,515	-	9,799,293	-	**14,431,808**
D Agnoletto	-	-	-	-	**-**
Total	**9,496,656**	**410,156**	**19,598,586**	**553,244**	**29,827,016**

** J Czyzewski ceased to be a KMP on 17 April 2014.*
*** Shares were acquired for cash at fair value in 2012 following the acquisition of Spotless Group Limited*
**** Options were acquired for cash at fair value in 2012 following the acquisition of Spotless Group Limited. The expensing of the fair value of the options has been accelerated and is disclosed in Table 4.*

OTHER TRANSACTIONS

Purchase of management options

Prior to the listing of the Company, the CEO and a number of other executive KMP held options over shares in the Company which had been acquired for fair value (pursuant to loans provided for that purpose by the Company) following the acquisition of Spotless Group Limited by funds managed and/or advised by Pacific Equity Partners in 2012.

In connection with the listing of the Company in May 2014, a subsidiary Spotless Management Services Pty Ltd acquired an agreed number of options for fair value from each relevant executive KMP in order to enable each executive to repay their option loans and pay the exercise price on their remaining options. Table 10 details the value of the options acquired pursuant to this transaction and the aggregate amounts recognised.

Table 10. Management options

Executive Director	Value of options sold during the year $
B Dixon	6,094,625
Other KMP	
V Pepe	6,094,625
J Czyzewski*	-
Total	**12,189,250**

** J Czyzewski ceased to be a KMP on 17 April 2014.*

Escrow arrangements in relation to executive KMP shareholdings

The shares held by the CEO and the COO are subject to voluntary escrow arrangements which were entered into in the connection with the listing of the Company.

Under the terms of those escrow arrangements, subject to certain customary exceptions and the exceptions noted below, the shares held by the CEO may only be sold on the following basis:

After:	The % of issued shares that CEO may sell
The announcement of FY15 financial results	50%
The announcement of FY16 financial results	All remaining shares retained by CEO will cease to be subject to escrow restrictions

The shares held by the COO will be subject to voluntary escrow arrangements on the same basis as the CEO, except that 100% of her shares will cease to be subject to escrow restrictions after the announcement of financial results for the year ended 30 June 2015 if those results demonstrate that Spotless has met or exceeded the forecast revenue, NPAT and EBITDA for that period set out in the Prospectus for the Company's initial public offering. If those hurdles are not achieved, the COO's shares will remain subject to the same escrow arrangements as the shares held by the CEO.

The Board has the discretion to release the relevant executive KMP shares from voluntary escrow in circumstances where the relevant executive dies, or becomes seriously or permanently incapacitated.

Options granted under the LTI Plan are not covered by the voluntary escrow arrangements. Rather, they are subject to the terms of the LTI Plan.

Directors' interests in contracts

Some Directors of the Company, or related entities of the Directors, conduct transactions with entities within the Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Director or Director-related entity on normal commercial terms and conditions.

On behalf of the Board of Directors

M Jackson
Chairman
Melbourne, 25 August 2014

B Dixon
Chief Executive Officer & Managing Director
Melbourne, 25 August 2014

Corporate Governance Statement

This statement explains how the Board of Spotless Group Holdings Limited (the **Board**) oversees the management of the Consolidated Entity's business. The Board is responsible for the overall corporate governance of the Consolidated Entity. The Board monitors the operational and financial position and performance of the Consolidated Entity and oversees its business strategy including approving the strategic goals of the Consolidated Entity and considering and approving an annual budget.

The Board is committed to maximising performance, generating financial returns and shareholder value, and sustaining the growth and success of the Consolidated Entity. In conducting the Consolidated Entity's business with these objectives, the Board seeks to ensure that the Consolidated Entity is properly managed to protect and enhance shareholder interests, and that the Consolidated Entity, its directors, officers and personnel operate in an appropriate environment of corporate governance. Accordingly, the Board has created a framework for managing the Consolidated Entity including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Consolidated Entity's business and which are designed to promote the responsible management and conduct of the Consolidated Entity.

The ASX Corporate Governance Council has developed and released its *Corporate Governance Principles and Recommendations* (**ASX Recommendations**) for listed companies in order to promote investor confidence and to assist companies in meeting stakeholder expectations. The recommendations are not prescriptions, but guidelines.
An overview of the Consolidated Entity's main corporate governance practices are set out below. The information in this statement relating to the directors, Board committee memberships and other details is current as at the date of this report.

Details of the Consolidated Entity's key policies and practices and the charters for the Board and each of its committees are available at www.spotless.com.

THE BOARD

The Board of is comprised of:
- Margaret Jackson AC (independent Chairman)
- Bruce Dixon (Chief Executive Officer & Managing Director)
- Diane Grady AM (independent non-executive director)
- Garry Hounsell (independent non-executive director)
- Geoff Hutchinson (non-executive director)
- Rob Koczkar (non-executive director)
- The Hon. Nick Sherry (independent non-executive director)

Details of the Directors' skills, experience, expertise, qualifications, terms of office, relationships affecting independence, their independence status and membership of committees are set out within this statement and in the Directors' Report.

The Board considers an independent director to be a non-executive director who is not a member of the Consolidated Entity's management and who is free of any business or other relationship that could materially interfere with or reasonably be perceived to interfere with the independent exercise of their judgment. The Board will consider the materiality of any given relationship on a case-by-case basis and has adopted guidelines to assist in this regard. The Board reviews the independence of each director in light of interests disclosed to the Board from time to time.

The Consolidated Entity's Board Charter sets out guidelines of materiality for the purpose of determining independence of directors in accordance with the ASX Recommendations and has adopted a definition of independence that is based on that set out in the ASX Recommendations.

The Board considers qualitative principles of materiality for the purpose of determining 'independence' on a case-by-case basis. The Board will consider whether there are any factors or considerations which may mean that the director's interest, business or relationship could, or could be reasonably perceived to, materially interfere with the director's ability to act in the best interests of the Consolidated Entity.

The Board considers that each of Margaret Jackson AC, Diane Grady AM, Garry Hounsell and The Hon. Nick Sherry is an independent director for the purpose of the ASX Recommendations.

Bruce Dixon, Rob Koczkar, and Geoff Hutchinson are not considered by the Board to be independent. Bruce is the CEO and Managing Director of the Consolidated Entity. Rob Koczkar and Geoff Hutchinson are directors nominated on behalf of the PEP Shareholders and the Coinvestment Shareholders (other than Lentesco) which hold 39.6% of shares in the Company.

On this basis, the Board consists of a majority of independent directors.

The Board considers that each of the directors brings an objective and independent judgment to the Board's deliberations and that each of the directors makes a valuable contribution to the Consolidated Entity through the skills they bring to the Board and their understanding of the Consolidated Entity's business.

BOARD CHARTER

The Board has adopted a formal Charter that details the functions and responsibilities of the Board. The Board Charter also establishes the functions reserved to the Board and those powers delegated to management.

The Board Charter allows the Board to delegate powers and responsibilities to committees established by the Board. The Board retains ultimate accountability to shareholders in discharging its duties.

The Board Charter provides that with guidance from the Nomination Committee and, where necessary, external consultants, the Board shall identify candidates with appropriate skills, experience, expertise and diversity in order to discharge its mandate effectively and to maintain the necessary mix of expertise on the Board.

The Nomination Committee assesses nominations of new directors against a range of criteria including the candidate's background, experience, gender, professional skills, personal qualities and whether their skills and experience will complement the existing Board.

The criteria to assess nominations of new directors is reviewed annually and the Nomination Committee regularly compares the skill base of existing directors with that required for the future strategy of the Consolidated Entity to enable identification of attributes required in new directors.

A copy of the Board Charter is publicly available in the Governance section of Spotless' website at www.spotless.com.

BOARD COMMITTEES

The Board may from time to time establish appropriate committees to assist in the discharge of its responsibilities.

The Board has established an Audit, Business Risk and Compliance Committee, a Nomination Committee and a People and Remuneration Committee.

Other committees may be established by the Board as and when required.

Under the Board Charter, Board committee performance evaluations will occur at least once per year.

Audit, Business Risk and Compliance Committee

The role of the Audit, Business Risk and Compliance Committee is to assist the Board in fulfilling its responsibilities for corporate governance and overseeing the Consolidated Entity's internal control structure and risk management systems. The Audit, Business Risk and Compliance Committee also confirms the quality and reliability of the financial information prepared by the Consolidated Entity, works with the external auditor on behalf of the Board and reviews non-audit services provided by the external auditor, to confirm they are consistent with maintaining external audit independence.

The Audit, Business Risk and Compliance Committee provides advice to the Board and reports on the status and management of the risks to the Consolidated Entity. The purpose of the committee's risk management process is to ensure that risks are identified, assessed and appropriately managed.

Information on the procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners is contained within the Consolidated Entity's Audit, Business Risk and Compliance Committee Charter.

The Audit, Business Risk and Compliance Committee must comprise at least three directors, all of whom must be non-executive directors and the majority of which must be independent in accordance with the independence criteria set out in the Board Charter. A member of the Audit, Business Risk and Compliance Committee, who is an independent director and who does not chair the Board, shall be appointed the Chair of the committee.

The Audit, Business Risk and Compliance Committee will meet as often as is required by the Audit, Business Risk and Compliance Committee Charter. The chair of the Audit, Business Risk and Compliance Committee will routinely invite other directors, members and representatives of the external auditor to be present at meetings of the committee and seek advice from external advisors. The Audit, Business Risk and Compliance Committee will regularly report to the Board about committee activities, issues and related recommendations.

A copy of the Audit and Risk Management Committee Charter is publicly available in the Governance section of the Company's website at www.spotless.com.

The committee comprises Garry Hounsell (chair), Margaret Jackson, the Hon. Nick Sherry and Geoff Hutchinson.

People and Remuneration Committee

The role of the People and Remuneration Committee is to review and make recommendations to the Board with respect to the Consolidated Entity's human resources policies and obligations, to make recommendations to the Board on remuneration packages and policies related to the directors and senior management and to ensure that the remuneration policies and practices are consistent with the Consolidated Entity's strategic goals. Independent advice will be sought where appropriate.

The People and Remuneration Committee will meet as often as is required by the People and Remuneration Committee Charter. Following each meeting, the People and Remuneration Committee will report to the Board on any matter that should be brought to the Board's attention and on any recommendation of the People and Remuneration Committee that requires Board approval.

A copy of the People and Remuneration Committee Charter is publicly available in the Governance section of the Company's website at www.spotless.com.

The committee comprises Diane Grady (chair), Margaret Jackson, The Hon. Nick Sherry and Rob Koczkar.

Nomination Committee

The Nomination Committee is responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of directors and senior management). Independent advice will be sought where appropriate.

The Nomination Committee will meet as often as required and its recommendations from time to time will be reported to the Board.

A copy of the Nomination Committee Charter is publicly available in the Governance section of the Company's website at www.spotless.com.

The committee comprises Margaret Jackson (chair) and currently comprises all of the other directors of the Board.

DIVERSITY

The workforce of the Consolidated Entity is made up of individuals with diverse skills, backgrounds, perspectives and experiences and this diversity is recognised, valued and respected. The Consolidated Entity acknowledges the positive outcomes that can be achieved through a diverse workforce and recognises and utilises the contribution of diverse skills and talent from its workforce. For the purposes of this policy, 'diversity' encompasses (without limitation) diversity of gender, age, ethnicity, cultural background, impairment or disability, sexual orientation and religion.

The Consolidated Entity has established a Workforce Diversity Policy which is publicly available in the Governance section of the Company's website at www.spotless.com.

The policy includes requirements for the Board to set measurable objectives to achieve both gender and broader diversity objectives at employee, executive and Board level and to review these objectives and the progress against these objectives and report on these on an annual basis.

At a Board and senior management level, gender has been identified as a key area of focus for the Consolidated Entity. Accordingly, the primary focus of the policy is achieving, over a reasonable transition period, adequate representation of women in senior management positions and on the Board.

The gender breakdown within the whole of Spotless, in senior executive positions and on the Board is as follows:

	Female	**Male**
Board representation	29%	71%
Key executive personnel	43%	57%
Whole of Spotless	55%	45%

Every year, the Consolidated Entity complies with its reporting obligations under the *Australian Workplace Gender Equality Act 2012* (Cth). A copy of the report is publicly available from the Company's website at www.spotless.com.

DISCLOSURE AND SHAREHOLDER COMMUNICATION POLICIES

As a company listed on ASX, the Company is required to comply with the continuous disclosure requirements of the ASX Listing Rules and the *Corporations Act 2001*. The Company is required to disclose to the ASX any information concerning the Company which is not generally available and which, if it was made available, a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Board aims to ensure that shareholders and stakeholders are informed of all major developments affecting Spotless' state of affairs. As such, Spotless has adopted a Disclosure Policy and Shareholder Communication Policy, which together establish procedures to ensure that directors and senior management are aware of, and fulfil, their obligations in relation to providing timely, full and accurate disclosure of material information to Spotless' stakeholders and comply with Spotless' disclosure obligations under the *Corporations Act 2001* and ASX Listing Rules. The Disclosure Policy also sets out procedures for communicating with shareholders, the media and the market.

The Board's aim is to ensure that shareholders are provided with sufficient information to assess the performance of Spotless and that they are informed of all major developments affecting the state of affairs of Spotless relevant to shareholders in accordance with all applicable laws. Information will be communicated to shareholders through the lodgment of information with the ASX required by Spotless' continuous disclosure obligations and publishing information on Spotless' website. The Shareholder Communication Policy is designed to promote effective communication with shareholders and other Spotless stakeholders and to encourage effective participation of relevant parties at general meetings. The Shareholder Communication Policy supplements the Disclosure Policy.

Copies of Spotless' Disclosure Policy and Shareholder Communication Policy are publicly available in the Governance section of Spotless' website at www.spotless.com.

SHARE TRADING POLICY

Spotless has adopted a Share Trading Policy which applies to Spotless and its directors, company secretary and senior management and other persons nominated by the Board from time to time (**Relevant Persons**).

The policy is intended to explain the types of conduct in relation to dealings in shares that is prohibited under the Corporations Act and establish procedures in relation to dealings in shares by Relevant Persons.

The Share Trading Policy defines certain "closed periods" during which trading in Shares by Relevant Persons is prohibited. Those closed periods are currently defined as any of the following periods:

- the period commencing six weeks prior to the release of Spotless' half year results to the ASX and ending 24 hours after such release;
- the period commencing six weeks prior to the release of Spotless' full year results to the ASX and ending 24 hours after such release;
- the period commencing two weeks prior to Spotless' annual general meeting and ending 24 hours after the annual general meeting; or
- any other period that the Board designates as a "closed period" for the purposes of this policy, such as a period during which Spotless is involved in corporate transactions that may have a material impact on the price of Spotless' listed securities.

Outside of these periods, Relevant Persons must receive clearance for any proposed dealing in securities.

In all instances, buying or selling securities is not permitted at any time by any person who possesses price-sensitive information.

CODE OF CONDUCT

The Board recognises the need to observe the highest standards of corporate practice and business conduct. Accordingly, the Board has adopted a Code of Conduct, which sets out the way the Company conducts business. The Company will carry on business honestly and fairly, acting only in ways that reflect well on the Company in strict compliance with all laws and regulations.

The policy document outlines the Company's employees' obligations of compliance with the Code of Conduct, and explains how the Code of Conduct interacts with the Company's other corporate governance policies.

Responsibilities include protection of the Company's business, using the Company's resources in an appropriate manner, protecting confidential information and avoiding conflicts of interest.

A copy of Spotless' Code of Conduct is publicly available in the Governance section of the Company's website at www.spotless.com.

BOARD AND COMMITTEE MEETING FREQUENCY AND ATTENDANCE

The number of Board and Board committee meetings held during the year along with the attendance by directors is set out in the Directors' Report under Directors' Meetings.

SENIOR EXECUTIVE PERFORMANCE

The Consolidated Entity's Board Charter details a process for the review of the performance of the Chief Executive Officer.

The performance of the Consolidated Entity's senior executives is reviewed regularly to ensure that executives continue to perform effectively in their roles. Performance is measured against goals and company performance set at the beginning of the financial year.

PERFORMANCE OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

The Consolidated Entity's Board Charter details a process for the review of Board, committee and individual directors' performance.
No formal review has been undertaken during the reporting period due to the Consolidated Entity's key focus on being listed on ASX. The Consolidated Entity expects to conduct a formal review within the current reporting period.

ACCESS TO INDEPENDENT PROFESSIONAL ADVICE

Directors may obtain independent professional advice at the Consolidated Entity's expense on matters arising in the course of their Board and committee duties, after obtaining the Chairman's approval.

PROCEDURE FOR THE SELECTION OF AND APPOINTMENT OF DIRECTORS

A description of the procedure for the selection and appointment of new directors to the Board and the re-election of incumbent directors and the Board's policy for the nomination and appointment of directors is contained within the Company's Nomination Committee Charter and Board Charter.

REMUNERATION ARRANGEMENTS

Board and Non-Executive Director
The remuneration policy for the Board and the remuneration of each director is set out in the Remuneration Report which forms part of the Directors' Report.

The Board has also adopted a policy prohibiting the directors and senior executives from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

Senior executives
Information on the performance evaluation and structure of remuneration for the Consolidated Entity's Key Management Personnel can be found in the Remuneration Report, which forms part of the Directors' Report.

RISK

The Company's Board, with the guidance of the Audit, Business Risk and Compliance Committee, is responsible for:

- approving policies on and overseeing the management of business and financial and non-financial risks;
- reviewing and monitoring processes and controls to maintain the integrity of accounting and financial records and reporting; and
- approving financial results and reports for release and dividends to be paid to shareholders.

The Company's Audit, Business Risk and Compliance Committee Charter also provides that the committee's specific function with respect to risk management is to review and report to the Board that:

- the Consolidated Entity's ongoing risk management program effectively identifies all areas of potential risk;
- adequate policies and procedures have been designed and implemented to manage identified risks;
- a regular program of audit is undertaken to test the adequacy of and compliance with prescribed policies; and
- proper remedial action is undertaken to redress areas of weakness.

Both the Company's Board Charter and the Audit, Business Risk and Compliance Committee Charter are publicly available in the Governance section of the Company's website at www.spotless.com.

The Company seeks to take and manage risk in ways that will generate and protect shareholder value and recognises that the management of risk is a continual process and an integral part of the management and corporate governance of the business.

The Company acknowledges that it has an obligation to all stakeholders, including shareholders, customers, employees, contractors and the wider community and that the efficient and effective management of risk is critical to the Company meeting these obligations and achieving its strategic objectives.

Written Affirmations
The Board has received assurance from the Chief Executive Officer and the Chief Financial Officer that the declaration provided in accordance with section 295A of the *Corporations Act 2001* is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. This assurance was given on 22 August 2014 2014.

Management has reported to the Board as to the effectiveness of the Consolidated Entity's management of its material business risks.

The Board has also received from the Chief Executive Officer & Managing Director and the Chief Financial Officer written affirmations concerning the Consolidated Entity's financial statements as set out in the Director's Declaration.

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2014

Spotless Group Holdings Limited (*formerly Pacific Industrial Services Pty Limited*)	**Note**	**2014** **$m**	2013 (i) $m
Continuing Operations			
Revenue	5(a)	**2,620.3**	2,236.0
Other income		**0.4**	0.3
		2,620.7	2,236.3
Direct employee expenses		**(1,023.8)**	(956.2)
Subcontractor expenses		**(741.7)**	(584.7)
Cost of goods used		**(392.6)**	(342.1)
Occupancy costs		**(23.8)**	(36.0)
Catering rights		**(73.0)**	(60.2)
Other expenses		**(179.9)**	(205.0)
Profit before depreciation, amortisation, finance costs and income tax (EBITDA)		**185.9**	52.1
Depreciation and amortisation expense	5(b)	**(63.9)**	(55.4)
Profit/(Loss) before finance costs and income tax (EBIT)		**122.0**	(3.3)
Finance costs - interest expense	5(c)	**(172.1)**	(70.4)
Finance income - interest revenue	5(c)	**2.3**	0.8
Loss before income tax benefit		**(47.8)**	(72.9)
Income tax benefit	6(a)	**13.1**	18.7
Loss for the year after income tax		**(34.7)**	(54.2)
Discontinued operations			
Loss after tax from discontinued operations	33	**-**	(38.6)
Loss After Tax		**(34.7)**	(92.8)
Other Comprehensive Income			
Items to be reclassified to profit or loss in subsequent periods:			
Foreign currency translation differences for foreign operations		**(9.0)**	5.3
Effective portion of changes in fair value of cash flow hedges		**(1.7)**	2.3
Income tax on effective portion of changes in fair value of cash flow hedges		**-**	(0.7)
Items not to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of equity instruments measured at fair value through other comprehensive income		**-**	(0.6)
Other comprehensive income/(loss) for the year, net of income tax		**(10.7)**	6.3
Total comprehensive loss for the year		**(45.4)**	(86.5)
Loss attributable to equity holders of the parent entity		**(45.4)**	(86.5)
Total comprehensive loss attributable to equity holders of the parent entity		**(45.4)**	(86.5)

Earnings per share		**2014** **cents**	2013 cents
Basic and diluted earnings per share	7	**(5.1)**	(14.7)
Basic and diluted earnings per share for continuing operations	7	**(5.1)**	(8.6)

The accompanying notes form an integral part of these financial statements.

(i) The 2013 period reflects the results of the operations of the Spotless Group from the date of its acquisition, 16 August 2012 to 30 June 2013 (approximately 10.5 months).

Consolidated Balance Sheet
as at 30 June 2014

Spotless Group Holdings Limited (*formerly Pacific Industrial Services Pty Limited)*	Note	**2014** **$m**	2013 $m
Current assets			
Cash and cash equivalents	9(a)	**105.4**	-
Trade and other receivables	10	**326.9**	331.4
Inventories	11	**22.9**	21.7
Prepayments		**7.6**	4.4
Assets classified as held for sale	13	**5.5**	5.5
Total current assets		**468.3**	363.0
Non-current assets			
Investments accounted for using the equity method		**2.1**	1.8
Trade and other receivables		**14.6**	15.2
Property, plant and equipment	12	**218.9**	203.1
Goodwill	14	**827.4**	827.4
Intangible assets	15	**140.6**	136.0
Deferred tax assets	6(c)	**171.1**	147.5
Derivatives at fair value		**-**	2.4
Other		**15.9**	5.7
Total non-current assets		**1,390.6**	1,339.1
Total assets		**1,858.9**	1,702.1
Current liabilities			
Trade and other payables	16	**277.1**	319.1
Borrowings	17	**0.1**	17.4
Current tax payables		**0.2**	4.1
Provisions	18	**100.0**	107.2
Total current liabilities		**377.4**	447.8
Non-current liabilities			
Borrowings	19	**632.1**	565.1
Deferred tax liabilities	6(d)	**72.9**	83.2
Provisions	20	**52.3**	60.3
Derivatives at fair value		**0.1**	-
Other		**4.9**	-
Total non-current liabilities		**762.3**	708.6
Total liabilities		**1,139.7**	1,156.4
Net assets		**719.2**	545.7
Equity			
Issued capital	22	**993.2**	631.1
Reserves	21	**2.0**	7.4
Accumulated losses		**(276.0)**	(92.8)
Total equity		**719.2**	545.7

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 30 June 2014

Spotless Group Holdings Limited
(*formerly Pacific Industrial Services Pty Limited)*

		$ million						
		Attributable to equity holders of the parent						
Consolidated	Note	**Issued Capital**	**Foreign Currency Translation Reserve**	**Debt Hedging Reserve**	**Investment Revaluation Reserve**	**Share Based Payment Reserve**	**Accumulated Losses**	**Total**
At 1 July 2012		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Shares issued	22	631.1	-	-	-	-	-	631.1
Loss for the year		-	-	-	-	-	(54.2)	(54.2)
Loss from discontinued operations	33	-	-	-	-	-	(38.6)	(38.6)
Other comprehensive income								
Currency translation differences		-	5.3	-	-	-	-	5.3
Movement in cash flow hedges		-	-	2.3	-	-	-	2.3
Gain on fair value of equity instruments measured at fair value through other comprehensive income		-	-	-	(0.6)	-	-	(0.6)
Tax effect of movements		-	-	(0.7)	-	-	-	(0.7)
Total other comprehensive income		-	5.3	1.6	(0.6)	-	-	6.3
Total comprehensive income		-	5.3	1.6	(0.6)	-	(92.8)	(86.5)
Dividends paid	8	-	-	-	-	-	-	-
Recognition of share based payment	5(d)	-	-	-	-	1.1	-	1.1
At 30 June 2013		**631.1**	**5.3**	**1.6**	**(0.6)**	**1.1**	**(92.8)**	**545.7**
At 1 July 2013		**631.1**	**5.3**	**1.6**	**(0.6)**	**1.1**	**(92.8)**	**545.7**
Shares issued	22	696.0	-	-	-	-	-	696.0
Transaction costs on shares issued (net of tax)		(32.4)	-	-	-	-	-	(32.4)
Loss for the year		-	-	-	-	-	(34.7)	(34.7)
Other comprehensive income								
Currency translation differences		-	(9.0)	-	-	-	-	(9.0)
Movement in cash flow hedges		-	-	(1.3)	-	-	-	(1.3)
Transfer to profit and loss on exit of swaps		-	-	(1.1)		-	-	(1.1)
Tax effect of movements		-	-	0.7	-	-	-	0.7
Total other comprehensive income		-	(9.0)	(1.7)	-	-	-	(10.7)
Total comprehensive loss		-	(9.0)	(1.7)	-	-	(34.7)	(45.4)
Return of capital	22	(301.5)	-	-	-	-	-	(301.5)
Dividends paid	8	-	-	-	-	-	(148.5)	(148.5)
Recognition of share based payment	5(d)	-	-	-	-	5.3	-	5.3
At 30 June 2014 (i)		**993.2**	**(3.7)**	**(0.1)**	**(0.6)**	**6.4**	**(276.0)**	**719.2**

The accompanying notes form an integral part of these financial statements.

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(i) Total number of fully paid ordinary shares on issue at 30 June 2014 was 1,098,290,178 (2013: 631,133,850). During the year 434,547,464 ordinary shares were issued at $1.60 per share under the Initial Public Offering.

During the year 57,500,000 options were exercised under the executive options plan, resulting in the issue of 32,198,708 new shares. An additional 410,156 shares were issued to non-executive directors as remuneration upon Initial Public Offering.

Consolidated Cash Flow Statement
for the year ended 30 June 2014

Spotless Group Holdings Limited (*formerly Pacific Industrial Services Pty Limited*)	Note	Inflows/(Outflows) 2014 $m	2013 (i) $m
Cash flows from operating activities			
Receipts from customers		**2,849.9**	2,429.3
Payments to suppliers and employees		**(2,721.7)**	(2,296.7)
Interest received		**2.3**	0.8
Interest and other costs of finance paid		**(88.0)**	(64.6)
Borrowing costs paid		**(50.2)**	(42.7)
Income tax paid		**(6.6)**	(1.0)
Net cash (used in)/provided by operating activities	9(b)	**(14.3)**	25.1
Cash flows from investing activities			
Payment for property, plant and equipment		**(63.1)**	(52.4)
Payment for acquisition of business	25	**-**	(698.8)
Proceeds from sale of businesses		**-**	32.4
Payment for intangible assets		**(13.7)**	(28.7)
Dividends received		**-**	0.3
Cash advanced to International Services		**-**	(2.1)
Proceeds from sale of investment securities		**-**	6.4
Proceeds from repayment of other financial assets		**2.4**	6.5
Net cash used in investing activities		**(74.4)**	(736.4)
Cash flows from financing activities			
Proceeds from shares issued		**695.4**	627.6
Transaction costs on shares issued		**(46.2)**	-
Return of capital		**(301.5)**	-
Proceeds from borrowings		**2,010.2**	902.6
Repayment of borrowings		**(2,016.7)**	(728.6)
Net proceeds/(repayment) from close out of swaps		**1.1**	(89.8)
Dividends paid to members of the parent entity		**(148.5)**	-
Net cash provided by financing activities		**193.8**	711.8
Net increase in cash and cash equivalents		**105.1**	0.5
Cash and cash equivalents at the beginning of the year		**-**	**-**
Effects of exchange rate changes on the balance of cash and cash equivalents held in foreign currencies		**0.3**	(0.5)
Cash and cash equivalents at the end of the year	9(a)	**105.4**	**-**

The accompanying notes form an integral part of these financial statements.

(i) The 2013 period reflects the cash flows of the operations of Spotless Group from the date of its acquisition, 16 August 2012 to 30 June 2013 (approximately 10.5 months).

Notes to the Consolidated Financial Statements
for the year ended 30 June 2014

Spotless Group Holdings Limited
(*formerly Pacific Industrial Services Pty Limited)*

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Note Contents

Spotless Group Holdings Limited
(*formerly Pacific Industrial Services Pty Limited*)

1. Basis of Preparation

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), Corporations Act 2001 and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and comply with other requirements of the law.

The financial statements have been prepared on an historical cost basis, except for the revaluation of certain financial instruments and various assets and liabilities acquired as part of business combinations. Cost is based on the fair values of the consideration given in exchange for assets. Certain comparative information in the financial statements has been reclassified to ensure consistency of presentation. All amounts are presented in Australian dollars, unless otherwise noted.

The current year reflects the 12 months ended 30 June 2014 whilst comparative year only includes the results of the operations of the Spotless Group from the date of acquisition (16 August 2012) to 30 June 2013 (approximately 10.5 months).

Spotless Group Holdings Limited is a company of the kind referred to in ASIC Class Order 98/0100, and in accordance with that Class Order amounts in the Directors' Report and financial statements are rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Spotless Group Holdings Limited is a company limited by shares which are traded on the Australian Securities Exchange. The Company is incorporated and domiciled in Australia. The registered office of the Company is at 549 St Kilda Rd, Melbourne VIC 3004.

The financial statements were authorised for issue by the Directors on 25 August 2014.

2. Statement of Compliance

The financial statements of the Consolidated Entity comply with International Financial Reporting Standards ("IFRS") and Interpretations issued by the International Accounting Standards Board ("IASB").

3. Summary of Significant Accounting Policies

Adoption of new and revised Accounting Standards

The accounting policies adopted are consistent with those of the previous financial year, including the adoption of Standards and Interpretations that became effective from 1 July 2013:

- AASB 10 'Consolidated Financial Statements'.
- AASB 11 'Joint Arrangements'.
- AASB 12 'Disclosures of Interests in Other Entities'.
- AASB 13 'Fair Value Measurement' and related 'AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13'.
- AASB 119 'Employee Benefits'.
- AASB 128 'Investments in Associates and Joint Ventures'.
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'.
- AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.
- AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)'.
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'.
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle'.
- AASB 2012-6 'Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures'.
- AASB 2012-9 'Amendments to AASB 1048 arising from the withdrawal of Australian Interpretation 1039'.
- AASB 2012-10 'Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments'.
- AASB 2012-11 'Amendments to Australian Accounting Standards - Reduced Disclosure Requirements and Other Amendments'.
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'.
- AASB 1053 'Application of Tiers of Australian Accounting Standards'.
- AASB 2013-3 'Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets'.

Adoption of these Standards and Interpretations did not have a material effect for the financial position, performance or cash flows of the Consolidated Entity for the year ended 30 June 2014 and the comparative reporting year.

The Consolidated Entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

At the date of authorisation of the financial report, the Standards and Interpretations listed below were on issue but not yet effective. The initial application of these standards and Interpretations is not expected to have a material impact on the financial report of the Consolidated Entity:

- AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'. Effective for annual reporting periods beginning on or after 1 January 2014.
- AASB 2013-4 'Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]'. Effective for annual reporting periods beginning on or after 1 January 2014.
- AASB 2013-5 'Amendments to Australian Accounting Standards - Investment Entities'. Effective for annual reporting periods beginning on or after 1 January 2014.
- AASB 1031 'Materiality'. Effective for annual reporting periods beginning on or after 1 January 2014.
- AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments'. Staggered effective annual reporting periods beginning on or after 1 January 2014.
- AASB 2014-1 'Amendments to Australian Accounting Standards'. Staggered effective annual reporting periods beginning on or after 1 July 2014.
- AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'. Effective for annual reporting periods beginning on or after 1 January 2015.
- Interpretation 21 'Levies'. Effective for annual reporting periods beginning on or after 1 January 2014.

The potential effect of the initial application of the following Standard has not yet been determined:

- AASB 9 'Financial Instruments'. Effective for annual reporting periods beginning on or after 1 January 2018.

3. Significant Accounting Policies (continued)

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company (the parent entity) and entities controlled by the Company (its subsidiaries), referred to as the 'Consolidated Entity' in these financial statements. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Consolidated Entity. In preparing the consolidated financial statements, all intercompany balances and transactions including unrealised profits arising from intra-group transactions, are eliminated in full.

Minority interests not held by the Consolidated Entity are allocated their share of net profit after tax in the Statement of Comprehensive Income and are presented within equity in the consolidated balance sheet, separately from parent shareholder's equity.

(b) Business Combinations

The Consolidated Entity accounts for all business combinations using the acquisition method. The cost of a business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Consolidated Entity in exchange for control of the acquiree. Transaction costs directly attributable to the business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except non-current assets (or disposal groups) that are classified as held for sale (which are measured at the lower of their carrying amount and fair value less costs to sell).

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Consolidated Entity's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Consolidated Entity's interest in the net fair value of the acquiree's identifiable assets, liabilities, and contingent liabilities or its value in use exceeds the cost of the business combination, the excess is immediately recognised in Statement of Comprehensive Income.

Contingent consideration is measured at fair value at the acquisition date. Subsequent adjustments to the consideration are recognised against goodwill only to the extent that they arise from better information about the fair value at the acquisition date and they occur within 12 months of the acquisition date. All other subsequent adjustments are recognised in the Statement of Comprehensive Income.

<u>Accounting for acquisitions of non-controlling interests</u>
Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

(c) Foreign Currency

Both the functional currency and presentation currency of Spotless Group Holdings Limited and its Australian subsidiaries are Australian Dollars (AUD).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date with all differences taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Foreign subsidiaries have a functional currency other than Australian Dollars. As at the reporting date, the assets and liabilities of these foreign subsidiaries are translated into the presentation currency of the Consolidated Entity by applying the rate of exchange ruling at the balance sheet date and Statement of Comprehensive Income is translated at the weighted average exchange rate for the reporting period or at the exchange rate ruling at the date of the transaction. The exchange differences arising on the translation are taken to the foreign currency translation reserve.

On disposal of a foreign subsidiary with a functional currency other than Australian Dollars, the deferred cumulative amount recognised in the foreign currency translation reserve relating to that particular subsidiary is recognised in profit or loss.

(d) Revenue Recognition

<u>Rendering of services</u>
The revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses incurred. Life cycle maintenance revenue is based on stage of completion based on costs incurred. Where a loss is expected to occur it is recognised immediately.

<u>Sale of goods</u>
Revenue from the sale of goods is recognised when the Consolidated Entity has passed the significant risks and rewards of ownership of the goods to the buyer.

<u>Interest revenue</u>
Interest revenue is recognised on a time proportionate basis that takes into account the effective interest rate on the financial asset.

<u>Dividend revenue</u>
Dividend revenue is recognised when the Consolidated Entity's right to receive payment has been established.

(e) Income Tax

<u>Current tax</u>
Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

<u>Deferred tax</u>
Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

3. Significant Accounting Policies (continued)

(e) Income Tax (continued)

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures except where the Consolidated Entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Consolidated Entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Consolidated Entity intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the year</u>
Current and deferred tax for the year is recognised as an expense or income in the statement of comprehensive income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or the excess of net assets over the purchase price.

<u>Tax consolidation</u>
The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Spotless Group Holdings Limited is the head entity in the tax consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the "separate taxpayer within group" approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax consolidated group are recognised by the Company (as head entity in the tax consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is detailed in Note 6. Where the tax contribution amount recognised by each member of the tax consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(f) Borrowing Costs

Borrowing costs are capitalised where they relate to qualifying assets and are expensed over the asset's useful life.

(g) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, cash in banks and investments in money market instruments. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(h) Financial Assets

<u>Financial assets at amortised cost and the effective interest rate method</u>
A financial asset is measured at amortised cost if the following conditions are met:
• the objective of the Consolidated Entity's business model in relation to those instruments is to hold the asset to collect the contractual cash flows;
• the contractual cash flows give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding; and
• the Consolidated Entity does not irrevocably elect at initial recognition to measure the instrument at fair value through profit or loss to minimise an accounting mismatch.

Amortised cost instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition the carrying amount of amortised cost financial instruments is determined using the effective interest rate method, less any impairment losses.

<u>Financial assets at fair value through other comprehensive income</u>
At initial recognition the Consolidated Entity may make an irrevocable election (on an instrument-by-instruments basis) to recognise the change in fair value of investments in equity instruments in other comprehensive income. This election is only permitted for equity instruments that are not held for trading purposes.

These instruments are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the investment revaluation reserve. When an investment is derecognised, the cumulative gain or loss is transferred directly to retained earnings and is not recognised in profit or loss. Dividends or other distributions received from these investments are recognised in profit and loss when the entity's right to receive payment or the dividend is established.

(i) Inventories

Inventories are stated at the lower of cost or net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories using the method most appropriate to each particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

3. Significant Accounting Policies (continued)

(j) Accounts Payable

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Derivative Financial Instruments

The Consolidated Entity has entered into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including cross currency swap, interest rate swap and forward exchange contracts.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Consolidated Entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions.

The fair value of derivatives is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in the fair value recognised in profit or loss.

At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions.

Note 31 contains details of the fair values of the derivative instruments used for debt hedging purposes. Movements in the debt hedging reserve in equity are also detailed in the Statement of Changes in Equity.

The Consolidated Entity has only entered into hedges of the type classified as cash flow hedges. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity in the debt hedging reserve. The gain or loss relating to any ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the statement of comprehensive income as the recognised hedged item. When the forecast transaction that is hedged results in the recognition of a non-financial asset or non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Consolidated Entity revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

(l) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Cost includes expenditure that is directly attributable to the acquisition or construction of the item.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold interest and leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter. The straight line method of depreciation is used for all assets.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Comprehensive Income.

The following estimated useful lives are used in the calculation of depreciation:

- Buildings: 50 years
- Plant and equipment: 3 - 20 years
- Leasehold improvements: 5 - 15 years
- Laundries Rental Stock: 18 months - 5 years

Estimated useful lives are reassessed each reporting period. Following initial recognition at cost, land and buildings are carried at cost less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

(m) Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash generating unit is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the profit or loss for the period in which it was incurred.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(n) Joint Venture Entities

Interests in jointly controlled entities in which the Consolidated Entity is a venturer (and so has joint control) are accounted for under the equity method in the consolidated financial statements.

3. Significant Accounting Policies (continued)

(o) Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Finance lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against profit or loss. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis.

(p) Non Current Assets Held For Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

(q) Goodwill

Goodwill, representing the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset net of impairment and not amortised. A Cash Generating Unit ("CGU") to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit and loss and cannot be subsequently reversed.

(r) Investments

Investments in associates are accounted for under the equity method in the consolidated financial statements.

(s) Intangible Assets

<u>Intangible assets acquired in a business combination</u>
Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired in a business combination are assessed to have a finite live and are amortised on a straight-line basis over the estimated useful lives of 11.7 years.

<u>Customer Contracts</u>
Customer contracts acquired in business combinations are assessed to have finite lives and are amortised on a straight-line basis over the estimated useful lives of between 7 and 30 years.

<u>Internally-generated intangible assets - capitalised development</u>
Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period as incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:
- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. When completed, capitalised development will be amortised on a straight-line basis over its estimated useful life. Internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense on intangible assets with finite lives are recognised in the statement of comprehensive income as depreciation and amortisation expense.

(t) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, sick leave and directors retirement allowances when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits (including directors retirement allowances) are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Consolidated Entity in respect of services provided by employees up to the reporting date.

<u>Defined contribution plans</u>
Contributions to defined contribution superannuation plans are expensed when employees have rendered service entitling them to the contributions.

3. Significant Accounting Policies (continued)

(u) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Consolidated Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts - Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Consolidated Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Dividends - A provision is recognised for dividends when they have been declared, determined or publicly recommended by the Directors on or before the balance sheet date.

Public liability - A provision is recognised under the Consolidated Entity's insurance for claims below the insured excess.

(v) Financial Instruments Issued by the Consolidated Entity

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Transaction costs on the issue of equity instruments
Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instrument to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

Financial guarantee contract liabilities
Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of: (i) the amount of the obligation under the contract, as determined under AASB 137 'Provisions, Contingent Liabilities and Contingent Assets'; and (ii) the amount initially recognised less, where appropriate, cumulative amortisation in accordance with revenue recognition policies described in Note 3(d).

Other Liabilities
Financial liabilities, including all loans and borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective interest rate method basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

(w) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except (i) for receivables and payables which are recognised inclusive of GST; and (ii) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

(x) Share-based payment

Share-based payments made to employees and others, that grant rights over the shares of the ultimate parent entity, Spotless Group Holdings Limited, are accounted for as equity-settled share-based payment transactions.

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model and/or Monte Carlo simulation model.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Consolidated Entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(y) Critical Accounting Estimates

In the application of the Consolidated Entity's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both the current and future periods.

Judgements made by management in the application of the Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following are the key judgements concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Recoupment of tax losses
The Consolidated Entity has carried forward tax losses of $79.4 million carried on Balance Sheet as a deferred tax asset (Note 6(c)). These continue to be carried on Balance Sheet as the Directors believe it is probable that future taxable profits will be available against which the Consolidated Entity can utilise the benefits therefrom. These losses are also subject to satisfying the loss recoupment rules in the Income Tax Assessment Act 1997.

(ii) Customer contract useful lives
Customer contracts are carried on Balance Sheet at their initial fair value at the acquisition date net of accumulated amortisation (Note 15). These intangibles are amortised on a straight line basis over the average initial contract term of the customer portfolio. The contract term and amortisation period has been based on historical experience and management expectations on the renewal profiles.

(iii) Provisional Purchase Price Accounting
Purchase Price Accounting for the acquisition of the Spotless Group was finalised during the year ended 30 June 2014. Note 25 details adjustments made subsequent to 30 June 2013 to the fair value of assets and liabilities acquired.

(iv) Onerous contracts
The Consolidated Entity has recognised provisions for various contracts assessed as being onerous as at balance date. The provisions have been calculated based on management's best estimate of discounted net cash outflows required to fulfil the contracts. The status of these contracts and the adequacy of provisions will be assessed at each reporting date.

(v) Long-term contract revenue recognition
The Consolidated Entity has a limited number of long-term maintenance contracts that are engaged in a suite of related services under the one contract. The Consolidated Entity distinguishes between these revenue streams with respect to revenue recognition. Planned maintenance services revenue is recognised based on services completed. Life cycle maintenance revenue is based on stage of completion based on costs incurred. In recognising the revenue the Consolidated Entity periodically re-forecasts the estimated total contract costs based on the different stage of completion of the contract.

(vi) Environmental Provisioning
The Consolidated Entity intends to restore and remediate certain Laundry properties. A provision for remediation is estimated at $14.6 million based on assessments by the Directors supported by external advisors. As remediation progresses, actual costs are being monitored against the estimated provisions made.

(vii) Impairment of goodwill and intangibles (including Capitalised Development)
Determining whether goodwill and intangibles (including Capitalised Development) is impaired requires an estimation of the higher of fair value less cost to sell or value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Consolidated Entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value.

(viii) Long Service Leave
The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(ix) Property Make-Good
The consolidated entity has made assumptions in arriving at their best estimate of the likely costs to “make good” premises which are currently occupied under operating leases or at customers’ premises. Such estimates involve management forecasting the average restoration cost and are dependent on the nature of the premises occupied.

(x) Estimation of useful lives and residual values of property, plant and equipment
The estimation of the useful lives and residual of values of assets has been based on historical experience as well as manufacturers’ warranties (for plant and equipment), lease terms (for leased equipment) and turnover policies. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives and residual of values are made when considered necessary.

(xi) Taxation
Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the nature and complexity of existing and terminated contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Consolidated Entity establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the Consolidated Entity companies.

Spotless Group Holdings Limited
(*formerly Pacific Industrial Services Pty Limited)*

4. Segment Information

The Consolidated Entity's operating segments under AASB 8 are as follows:

Facility Services: provides multi-faceted facilities management, cleaning and catering services to a wide range of industries across Australia and New Zealand.

Laundry Services: provides linen and uniform laundry services to a broad range of customers.

The accounting policies of the operating segments are the same as the Consolidated Entity's accounting policies.

The segment result represents the profit earned by each segment excluding unallocated corporate administration costs, depreciation and amortisation, transaction and restructuring costs (including share based payment expense), net finance costs and income tax benefit.

	External Sales		Segment Result	
Operating segments	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Facility Services	2,365.0	2,009.7	**215.3**	120.7
Laundries	255.3	226.3	**77.2**	62.0
Total Operating Segments	**2,620.3**	2,236.0	**292.5**	182.7
Unallocated corporate administration costs			**(39.3)**	(36.5)
Earnings before interest, tax, depreciation, amortisation (EBITDA) and transaction and restructuring costs			**253.2**	146.2
Depreciation and amortisation			**(63.9)**	(55.4)
Earnings before interest and tax (EBIT) and transaction and restructuring costs			**189.3**	90.8
Transaction and restructuring costs			**(67.3)**	(94.1)
Earnings before interest and tax (EBIT)			**122.0**	(3.3)
Net finance costs			**(95.1)**	(69.6)
Write off of borrowing costs			**(74.7)**	-
Loss before income tax benefit			**(47.8)**	(72.9)
Income tax benefit			**13.1**	18.7
Loss for the year from continuing operations			**(34.7)**	(54.2)

Geographic information	**2014 $m**	2013 $m
Revenue by geography		
Australia	**2,219.6**	1,885.1
New Zealand	**400.7**	350.9
Total revenue	**2,620.3**	2,236.0

The revenue information above is based on the location of the customer.

Non-current assets		
Australia	**1,108.1**	972.8
New Zealand	**78.8**	193.7
Total	**1,186.9**	1,166.5

Non-current assets for this purpose consist of property, plant and equipment, goodwill and intangible assets.

Revenue by customer sector		
Health, Education and Government	**945.4**	740.3
Commercial and Leisure	**742.4**	751.0
Base and Township	**677.2**	518.5
Laundries	**255.3**	226.2
Total revenue	**2,620.3**	2,236.0

5. Loss from Operations

	2014 $m	2013 (i) $m
(a) Revenue from operating activities		
Sales revenue:		
Rendering of services	**2,020.4**	1,714.0
Sale of goods	**599.9**	522.0
Revenue from operating activities	**2,620.3**	2,236.0
(b) Depreciation and amortisation of non-current assets		
Property, plant and equipment	**23.5**	18.5
Laundries rental stock	**29.7**	28.1
Amortisation of identifiable intangible assets	**10.7**	8.8
Total depreciation and amortisation of non-current assets	**63.9**	55.4
(c) Net finance costs		
Interest expense:		
Interest charged from third party entities	**81.4**	41.9
Borrowing costs losses (i)	**74.7**	-
Other borrowing costs	**13.0**	26.6
Unwinding of discounts on provisions	**3.0**	1.9
	172.1	70.4

(i) Borrowing costs losses include $34.9 million of costs paid in 2013 that were written off during 2014.

	2014 $m	2013 (i) $m
Interest revenue:		
Third party entities	**(2.3)**	(0.8)
	(2.3)	(0.8)
Net finance costs	**169.8**	69.6
(d) Other costs		
Operating lease expense	**40.9**	50.6
Employee expenses - superannuation defined contribution plans	**66.3**	60.2
Share based payment expense	**5.9**	1.1
Transaction and restructuring costs	**67.3**	94.1

	2014 $m	2013 (i) $m
6. Income Tax		
(a) Income tax recognised in profit or loss		
Current tax benefit in respect of the current year	**17.0**	8.5
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	**(3.9)**	10.2
Total tax benefit	**13.1**	18.7
(b) Reconciliation of prima-facie tax on loss to income tax benefit		
Loss before income tax	**(47.8)**	(72.9)
Income tax benefit calculated at 30%	**14.3**	21.9
Items that increase/(decrease) tax benefit		
Difference between accounting and tax - capital losses	**-**	(2.7)
Non-deductible entertainment expense	**(0.2)**	(0.2)
Tax rate differential on overseas earnings	**-**	0.3
Executive options	**(1.5)**	-
Other	**0.5**	(0.6)
	(1.2)	(3.2)
Total Income tax benefit	**13.1**	18.7
Income tax benefit reported in the statement of comprehensive income	**13.1**	18.7
Income tax benefit attributable to a discontinued operation	**-**	0.2
Total Income tax benefit	**13.1**	18.9

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. The Consolidated Entity is also subject to a tax rate in New Zealand of 28%.

	2014 $m	2013 (i) $m
(c) Deferred tax assets		
Arising from temporary differences		
Employee compensation and benefits accrued	**27.7**	28.8
Other provisions	**28.9**	18.6
Transaction related costs	**25.0**	13.7
Other	**10.1**	34.2
	91.7	95.3
Arising from tax losses or offsets		
Revenue losses	**79.4**	52.2
Deferred tax assets	**171.1**	147.5

The Australian tax consolidated group has recognised a $79.4 million deferred tax asset at 30 June 2014. The utilisation of this deferred tax amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences and satisfaction of the tax loss recoupment rule. The Directors believe this amount to be recoverable based on taxable income projections, including the positive effect on taxable income from the change in capital structure which has decreased the annual interest expense and the operational restructure that has removed significant costs from the business. The FY13 and FY14 results were also significantly impacted by one-off transaction and restructuring costs which will not be incurred in FY15.

	2014 $m	2013 (i) $m
6. Income Tax (continued)		
(d) Deferred tax liabilities		
Arising from temporary differences		
Catering rights and prepayments	**(0.5)**	(1.0)
Property, plant and equipment	**(6.9)**	(7.7)
Unbilled revenue	**(2.5)**	(5.0)
Amortising intangible assets	**(36.1)**	(55.1)
Other	**(26.9)**	(14.4)
Deferred tax liabilities	**(72.9)**	(83.2)
Unrecognised deferred tax liabilities		
Deferred tax liabilities not recognised as the Company does not intend to repatriate certain undistributed profits held in controlled entities	**-**	-

(e) Income tax recognised directly in equity

The following current and deferred amounts were charged directly to equity during the year:

	2014	2013 (i)
<u>Deferred tax asset/liability</u>		
Debt hedging reserve	**-**	0.7

(f) Tax consolidation

Spotless Group Holdings Limited formed a tax consolidated group with effect from 3 April 2012. Pacific Industrial Services FinCo Pty Limited and Pacific Industrial Services BidCo Pty Limited are subsidiary members of the tax consolidated group.

Effective 16 August 2012 the Spotless Group Limited tax consolidated group joined the Spotless Group Holdings Limited tax-consolidated group.

Entities within the tax consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, each of the entities in the tax consolidated group has agreed to pay a tax equivalent to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax consolidated group.

The tax sharing agreement entered into between members of the tax consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax consolidated group. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

7. Earnings per Share (EPS)

Basic EPS amounts are calculated by dividing the loss for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2014 $m	2013 (i) $m
Net loss attributable to ordinary equity holders of the Company from continuing operations	**(34.7)**	(54.2)
Net loss attributable to ordinary equity holders of the Company from discontinued operations	**-**	(38.6)
Net loss attributable to ordinary equity holders of the Company for basic and diluted earnings	**(34.7)**	(92.8)
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share	**679,769**	631,134
Weighted average number of ordinary shares for diluted earnings per share	**680,683**	631,134

Basic and diluted earnings per share produce materially the same result and as such are combined for disclosure purposes.

	2014 $m	2013 (i) $m
8. Dividends		
Fully Paid Ordinary Shares		
Recognised and paid amounts		
2014 Interim dividend - paid 22 November 2013: 23.529c per share	**148.5**	-
	148.5	-

9. Cash and Cash Equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand, cash in transit and in banks and investments in money market instruments (excluding term deposits) and short-term money market borrowings that are not part of a term facility.

Cash at the end of the year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2014 $m	2013 (i) $m
Cash and cash equivalents	**105.4**	-
Total cash and cash equivalents	**105.4**	-

(b) Reconciliation of loss from ordinary activities after related income tax to net cash flows from operating activities

	2014 $m	2013 (i) $m
Loss for the year from continuing operations	**(34.7)**	(54.2)
Depreciation and amortisation	**63.9**	55.4
Loss from sale of non-current assets	**-**	3.0
Interest revenue from Securities Plan Loans	**-**	(0.7)
Losses on derivatives	**-**	1.7
Unrealised foreign exchange loss	**-**	9.3
Borrowing costs losses	**34.9**	-
Unwinding of discount on provisions	**3.0**	1.9
Share based payment expense	**5.3**	1.1
Shares issued to non executive directors	**0.6**	-
(Decrease)/increase in income tax payable	**(3.9)**	3.8
Decrease in deferred tax balances	**(20.1)**	(42.3)
Changes in assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Receivables	**(5.8)**	(25.9)
Inventories	**(1.2)**	(0.3)
Prepayments	**(4.8)**	12.0
Increase/(decrease) in liabilities:		
Trade payables	**(35.8)**	27.0
Other liabilities	**(15.7)**	33.3
Net cash (used in)/provided by operating activities	**(14.3)**	25.1

10. Current Trade and Other Receivables

	2014 $m	2013 (i) $m
Trade receivables	**328.7**	330.9
Allowance for doubtful debts	**(3.2)**	(5.7)
Other debtors (i)	**1.4**	6.2
	326.9	331.4

(i) included in Other debtors is an amount of $nil (2013: $3.5 million) held in a trust account in relation to proceeds from issuance of share capital.

The classes of trade receivables have been determined by reference to the credit terms and also follow the lines of business. The credit policy requires customers to pay in accordance with these agreed credit terms.

The credit terms for each of the lines of business are generally 30 days from the date of invoice.

In the ageing analysis on the next page, trade receivables have been aged according to their original due date or statement date.

The Consolidated Entity generally trades only with recognised creditworthy third parties, and as such collateral is not requested.

Receivables balances are monitored on an ongoing basis with the result that the Consolidated Entity's exposure to bad debts is not significant. Specifically, for all classes of trade receivables the following basis is used to assess the allowance for doubtful debts:

- an assessment of trade receivables on an individual account basis to determine whether there is objective evidence that an individual trade receivable is impaired
- all debt greater than 60 days is reviewed for any risk of dispute or collectability
- any prior knowledge of debtor insolvency or other credit risk is considered
- an estimate of irrecoverable amounts arising from the past sale of goods and rendering of services, determined by reference to past default experience is made.

In determining the recoverability of a trade receivable, the Consolidated Entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

If a trade receivable is considered to be in dispute or there is uncertainty around collection, the allowance for doubtful debts is used. A debt is only written off when it is considered to be non-recoverable and all collection efforts have been exhausted.

10. Current Trade and Other Receivables (continued)

	2014 $m	2013 $m
Trade receivables (i)	**328.7**	330.9
Allowance for doubtful debts (ii)	**(3.2)**	(5.7)
	325.5	325.2
Movement in the allowance for doubtful debts		
Balance at start of the year	**(5.7)**	-
Balance acquired in a business combination	**-**	(13.7)
Amounts written off during the year	**2.2**	5.8
Amounts recovered during the year	**-**	0.1
Reduction due to sale of businesses	**-**	2.6
Decrease/(increase) in allowance recognised in profit or loss	**0.3**	(0.5)
Balance at end of the year	**(3.2)**	(5.7)
Ageing of past due but not impaired (i) (iii)		
30 - 60 days	**7.4**	12.7
60 - 90 days	**2.7**	6.4
+90 days	**5.6**	10.2
Total	**15.7**	29.3

(i) Included in the Consolidated Entity's trade receivables balance are debtors with a carrying amount of $15.7 million (2013: $29.3 million) which are past due at the reporting date for which the Consolidated Entity has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Consolidated Entity does not hold any collateral over these balances.

(ii) At 30 June 2014 there are no material individually impaired trade receivables included in the allowance for doubtful debts.

(iii) The Consolidated Entity's standard Terms and Conditions allows for interest to be charged on overdue debts.

11. Inventories

	2014 $m	2013 $m
Raw materials and stores	**1.5**	1.4
Finished goods	**21.4**	20.3
	22.9	**21.7**

During the year ended 30 June 2014, $392.6 million (2013: $342.1 million) was recognised as an expense for inventories carried at net realisable value. This is recognised in cost of sales.

	At cost							
	Freehold Land $m	**Buildings $m**	**Leasehold Improvements $m**	**Plant and Equipment $m**	**Laundries Rental Stock $m**	**Braiform Stock in Circulation $m**	**Leased assets $m**	**TOTAL $m**
12. Property, Plant and Equipment								
Consolidated								
Gross carrying amount								
Balance at 1 July 2012	-	-	-	-	-	-	-	**-**
Additions acquired through business combination	49.8	10.4	19.6	95.7	39.5	21.3	0.3	**236.6**
Additions	-	-	7.6	13.9	26.7	4.2	-	**52.4**
Disposals	-	-	(0.6)	(4.5)	-	(3.2)	-	**(8.3)**
Disposals arising from discontinued operations	(0.4)	(1.0)	(0.4)	(11.6)	-	(19.8)	(0.3)	**(33.5)**
Net foreign exchange variance	-	-	0.6	3.5	0.9	(2.5)	-	**2.5**
Balance at 30 June 2013	49.4	9.4	26.8	97.0	67.1	-	-	249.7
Additions	-	-	1.6	34.9	30.2	-	-	**66.7**
Disposals	-	-	-	(0.5)	-	-	-	**(0.5)**
Net foreign exchange variance	0.2	0.1	0.4	2.0	-	-	-	**2.7**
Balance at 30 June 2014	**49.6**	**9.5**	**28.8**	**133.4**	**97.3**	**-**	**-**	**318.6**
Accumulated depreciation								
Balance at 1 July 2012	-	-	-	-	-	-	-	**-**
Depreciation expense	-	(0.2)	(4.0)	(14.3)	(28.1)	-	-	**(46.6)**
Balance at 30 June 2013	-	(0.2)	(4.0)	(14.3)	(28.1)	-	-	(46.6)
Disposals	**-**	**-**	**-**	0.2	**-**	**-**	**-**	**0.2**
Net foreign exchange variance	**-**	(0.1)	**-**	**-**	**-**	**-**	**-**	**(0.1)**
Depreciation expense	**-**	(0.2)	(8.0)	(15.3)	(29.7)			**(53.2)**
Balance at 30 June 2014	**-**	**(0.5)**	**(12.0)**	**(29.4)**	**(57.8)**	**-**	**-**	**(99.7)**
Net book value								
As at 30 June 2013	49.4	9.2	22.8	82.7	39.0	-	-	203.1
As at 30 June 2014	**49.6**	**9.0**	**16.8**	**104.0**	**39.5**	**-**	**-**	**218.9**

	2014 $m	2013 $m

13. Assets classified as Held for Sale

Balance at the beginning of the year	**5.5**	-
Additions acquired through business combinations	**-**	5.5
Balance at the end of the year	**5.5**	5.5

The Directors consider that the carrying amount of the property approximates its fair value as at 30 June 2014.

14. Goodwill

Goodwill	**827.4**	827.4
	827.4	827.4

Reconciliation

Goodwill

Balance at beginning of the year	**827.4**	-
Acquired in a business combination (Note 25)	**-**	827.4
Balance at the end of the year	**827.4**	827.4

Allocation of goodwill to cash-generating units

The entire balance of goodwill has been allocated for impairment testing purposes to eight cash generating units, as follows:

Cash generating units

Business & Industry	**122.6**	122.6
Defence	**103.1**	103.1
Education	**113.6**	113.6
Government	**128.9**	128.9
Health	**89.9**	89.9
Laundries	**152.5**	152.5
Sports & Leisure	**50.0**	50.0
Resources	**66.8**	66.8
	827.4	827.4

The recoverable amount of the cash generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets covering a five year period then a growth rate of 3.0% into perpetuity and a pre-tax discount rate of 12.20% pa. Any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

The growth rate is based on published industry research. The discount rate represents the current market assessment of the risks specific to each cash generating unit taking into account the time value of money and individual risks of the underlying assets that have not been incorporated into the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Consolidated Entity and its cash generating units and is derived from its weighted average cost of capital, which takes into account both debt and equity.

15. Intangible Assets

Customer contracts	**96.3**	96.3
Capitalised development	**63.8**	48.5
Accumulated amortisation	**(19.5)**	(8.8)
	140.6	**136.0**

Reconciliations

Customer contracts

Balance at beginning of the year	**96.3**	-
Acquisitions through business combinations	**-**	96.3
Balance at end of the year	**96.3**	96.3

Accumulated amortisation

Balance at beginning of the year	**(7.4)**	-
Amortisation for the year	**(7.8)**	(7.4)
Balance at end of the year	**(15.2)**	(7.4)

	2014 $m	2013 $m
15. Intangible Assets (continued)		
Reconciliations (continued)		
Capitalised development		
Balance at beginning of the year	**48.5**	-
Acquisitions through business combinations	**-**	19.8
Additions from internal development	**15.3**	28.7
Balance at end of the year	**63.8**	48.5
Accumulated amortisation		
Balance at beginning of the year	**(1.4)**	-
Amortisation for the year	**(2.9)**	(1.4)
Balance at end of the year	**(4.3)**	(1.4)
Patents		
Balance at beginning of the year	**-**	-
Additions acquired through business combinations	**-**	1.5
Disposals through sale of businesses	**-**	(1.5)
Balance at end of the year	**-**	-
Accumulated amortisation		
Balance at beginning of the year	**-**	-
Amortisation for the year	**-**	(0.1)
Disposals through sale of businesses	**-**	0.1
Balance at end of the year	**-**	-

Aggregate amortisation incurred during the year is recognised as an expense and disclosed in Note 5(b) to the financial statements.

16. Current Trade and Other Payables

	2014 $m	2013 $m
Trade payables (i)	**265.7**	306.1
Goods and Services Tax (GST) payable	**11.4**	13.0
	277.1	319.1

(i) Credit periods range from 1 day prompt payment to 75 days. The average credit period is 45 days. Interest has not been incurred on any outstanding balances. The Consolidated Entity has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

17. Current Borrowings

	2014 $m	2013 $m
Secured: at amortised cost		
Bank facilities (i)	**-**	17.1
Secured: at amortised cost		
Finance lease liabilities (ii)	**0.1**	0.3
	0.1	17.4

(i) Secured as disclosed in Note 31(b).
(ii) Secured by the assets leased.

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 31.

18. Current Provisions

	2014 $m	2013 $m
Employee benefits (i)	**78.7**	85.3
Public liability	**3.9**	5.9
Environmental remediation	**2.3**	3.1
Property make-good	**11.5**	5.5
Onerous contracts	**3.6**	7.4
	100.0	107.2

(i) The current provision for employee benefits includes $26.3 million (2013: $29.2 million) of vested long service leave entitlements.

Reconciliations

Reconciliations of the carrying amounts of each class of provision are set out below:

	2014 $m	2013 $m
Public liability		
Carrying amount at beginning of the year	**5.9**	-
Acquired through business combinations	**-**	7.6
Increase/(decrease) in provision during the year	**0.6**	1.5
Payments made during the year	**(2.6)**	(3.2)
Carrying amount at end of the year	**3.9**	5.9

18. Current Provisions (continued)

Reconciliations (continued)

	2014 $m	2013 $m
Environmental remediation		
Carrying amount at beginning of the year	**3.1**	-
Provisions acquired through business combinations	**-**	3.1
Provisions (written back / utilised) during the year	**(2.8)**	-
Movement of provision from non-current	**2.0**	
Carrying amount at end of the year	**2.3**	**3.1**
Current	**2.3**	3.1
Non Current (Note 20)	**12.3**	13.5
Total	**14.6**	16.6
Property make-good		
Carrying amount at beginning of the year	**5.5**	-
Provisions acquired through business combinations	-	5.5
Provisions (written back / utilised) during the year	**(0.1)**	-
Movement of provision from non-current	**6.1**	
Carrying amount at end of the year	**11.5**	5.5
Current	**11.5**	5.5
Non Current (Note 20)	**6.3**	13.0
Total	**17.8**	18.5
Onerous contracts		
Carrying amount at beginning of the year	**7.4**	-
Provisions acquired through business combinations	-	5.7
Provisions increased during the year	**1.4**	2.4
Provisions (written back / utilised) during the year	**(9.4)**	(3.9)
Movement of provision from non-current	**4.2**	3.2
Carrying amount at end of the year	**3.6**	7.4
Current	**3.6**	7.4
Non Current (Note 20)	**20.4**	24.4
Total	**24.0**	31.8

Public liability
The provision for public liability represents the Directors' best estimate of the future sacrifice of economic benefits that will be required under the Consolidated Entity's insured public liability exposure relating to claims below the insured excess. The estimate is based on historical trends and may vary as a result of claims.

Environmental provisioning
The Consolidated Entity intends to restore and remediate certain Laundry properties. A provision for remediation is estimated based on assessments by the Directors supported by external advisors. As remediation progresses, actual costs are being monitored against the estimated provisions made.

Property Make-Good provisioning
Make-good provisions are provided for premises which are currently occupied under operating leases or at customers' premises. The provision is based on the best estimate of the likely costs to "make good" and the estimates involve management forecasting the average restoration cost and is dependent on the nature of the premises occupied.

Onerous contracts
The provision for onerous contracts represents the present value of future lease payments that the Consolidated Entity is presently obliged to make under non-cancellable onerous operating lease contracts, less revenue expected to be earned on the leases including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases vary up to 17 years. The current provision for onerous lease contracts is not discounted. The balance also includes onerous customer contracts which are recorded at the lower of the estimated unavoidable net costs of fulfilling the contract and the costs to exit the contract.

19. Non-Current Borrowings

	2014 $m	2013 $m
Secured: at amortised cost		
Bank loans (i)	**631.9**	564.9
Secured: at amortised cost		
Finance lease liabilities (ii)	**0.2**	0.2
	632.1	565.1

(i) Secured as disclosed in Note 31(b).
(ii) Secured by the assets leased.
Details regarding interest rate, foreign exchange and liquidity risk is disclosed in Note 31.

	2014 $m	2013 $m
20. Non-Current Provisions		
Employee benefits	**13.3**	9.4
Environmental remediation	**12.3**	13.5
Property make-good	**6.3**	13.0
Onerous contracts	**20.4**	24.4
	52.3	60.3

Reconciliations

Reconciliations of the carrying amounts of each class of provision are set out below:

	2014 $m	2013 $m
Environmental remediation		
Carrying amount at beginning of the year	**13.5**	-
Provisions acquired through business combinations	**-**	12.8
Unwind of discount during the year	**0.8**	0.7
Movement of provision to current	**(2.0)**	
Carrying amount at end of the year	**12.3**	13.5
Property make-good		
Carrying amount at beginning of the year	**13.0**	-
Provisions acquired through business combinations	-	12.3
Increase during the year	**0.1**	-
Unwind of discount during the year	**0.7**	0.7
Provisions (written back / utilised) during the year	**(1.4)**	-
Movement of provision to current	**(6.1)**	**-**
Carrying amount at end of the year	**6.3**	13.0
Onerous contracts		
Carrying amount at beginning of the year	**24.4**	-
Provisions acquired through business combinations	-	22.5
Provisions increased during the year	**1.0**	4.6
Provisions (written back / utilised) during the year	**(2.3)**	-
Unwind of discount during the year	**1.5**	0.5
Movement of provision to current	**(4.2)**	(3.2)
Carrying amount at end of the year	**20.4**	24.4

	2014 $m	2013 $m
21. Reserves		
Debt hedging reserve	**(0.1)**	1.6
Investment revaluation reserve	**(0.6)**	(0.6)
Foreign currency translation reserve	**(3.7)**	5.3
Share based payment reserve	**6.4**	1.1
Balance at the end of the financial year	**2.0**	7.4

Debt hedging reserve
The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Investment revaluation reserve
The investment revaluation reserve arises on the revaluation of equity instruments classified as fair value through other comprehensive income. The reserve also includes gains / losses on acquisitions of non-controlling interests (Note 3(b)).

Foreign currency translation reserve
Exchange differences relating to foreign currency monetary items forming part of the net investment in a foreign operation and the translation of foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 3(c).

22. Issued Capital

Ordinary shares issued and fully paid	**'000**	**$m**
At 1 July 2012	**-**	-
Shares issued on 16 Aug 2012	631,134	631.1
At 30 June 2013	**631,134**	**631.1**
At 1 July 2013	**631,134**	**631.1**
Return of capital on 22 November 2013	**-**	(301.5)
Shares issued on 23 May 2014	467,156	696.0
Transaction costs for issued share capital (net of tax)	**-**	(32.4)
At 30 June 2014	**1,098,290**	**993.2**

On 22 November 2013, the Company reduced its paid-up capital by $301.5 million by paying each ordinary shareholder the amount of $0.47771 for each ordinary share held by way of return of capital.

23. Share-based Payment

	2014 Number	2013 Number
Executive Options		
Balance at beginning of the financial year	57,500,000	-
Granted during the year	9,358,816	57,500,000
Vested during the year	(57,500,000)	-
Balance at the end of the financial year	9,358,816	57,500,000

The expense arising from equity-settled share-based payment transactions recognised for non-executive directors and employee services received during the year was $5,916,810 (2013: $1,122,452). This is comprised of $656,250 (2013: nil) relating to shares issued to non-executive directors, $5,202,548 (2013: $1,122,452) relating to options granted on 10 December 2012 and $58,012 (2013: nil) relating to the new executive options granted on 23 May 2014.

All rights issued to key management personnel are subject to performance hurdles described in the footnote to the following table. The following table details the underlying inputs into the fair value of the all performance rights issued:

	Number of rights issued	Fair value at issue $	Valuation methodology	Exercise price $	Volatility	Dividend yield	Risk Free rate	Performance criteria
Granted 10 December 2012	57,500,000	0.1100	Binomial Tree	1.25	36%	Nil	2.74%	Market and Non-market
Granted 23 May 2014	1,263,171	0.1920	Monte Carlo	1.60	27.5%	5.5%	2.59%	EPS
Granted 23 May 2014	1,263,171	0.1850	Monte Carlo	1.60	27.5%	5.5%	2.59%	RTSR
Granted 23 May 2014	3,416,237	0.2130	Monte Carlo	1.60	27.5%	5.5%	2.79%	EPS
Granted 23 May 2014	3,416,237	0.2090	Monte Carlo	1.60	27.5%	5.5%	2.79%	RTSR

On 10 December 2012, the Consolidated Entity granted 57,500,000 share options to certain Management and Executives that entitle them to acquire shares in the Company upon listing on the ASX, which occurred on 23 May 2014. The unamortised fair value of the options was accelerated during the year.

On 23 May 2014, the Consolidated Entity granted 2,526,342 share options to certain Management and Executives that entitle them to acquire shares in the Company upon vesting. The options vest on 30 June 2016 and expire one year thereafter.

On 23 May 2014, the Consolidated Entity granted 6,832,475 share options to certain Management and Executives that entitle them to acquire shares in the Company upon vesting. The options vest on 30 June 2017 and expire one year thereafter.

24. Related Party Disclosures

(a) Equity interests in related parties

Equity interests in controlled entities:

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 30 to the financial statements.

(b) Key management personnel compensation and retirement benefit

The aggregate compensation of the key management personnel of the Consolidated Entity is set out below:

	2014 $	2013 (i) $
Short-term employee benefits	**2,804,155**	1,441,276
Long-term benefits	**4,679**	-
Post-employment benefits	**79,682**	49,410
Share-based payment	**4,007,554**	716,417
	6,896,070	2,207,103

(c) Key management personnel equity interests

As at 30 June 2014 Key Management Personnel held 29,827,016 (2013: 9,496,656) fully paid shares and 2,478,045 (2013: 36,700,000) share options in the Company.

(d) Other transactions with key management personnel

There were no other transactions between Key Management Personnel, or their related parties, and the Company or its subsidiaries during the reporting period.

(e) Transactions within the wholly-owned group

The wholly-owned group includes the ultimate parent entity in the wholly-owned group, wholly-owned controlled entities, and other entities in the wholly-owned group.

During the financial year various subsidiaries of the Consolidated Entity provided administration services to other entities in the wholly-owned group. Other transactions that occurred during the financial year between entities in the wholly-owned group were:

- sale and purchase of goods at cost; and
- rental of premises at commercial rates.

(f) Transactions with other related parties

Other related parties include the ultimate parent entity, partly-owned controlled entities, joint venture entities, directors of related parties and their director related entities and other related parties.

The Consolidated Entity was charged a management fee by PEP Advisory IV Pty Ltd of $10,600,000 (2013: Nil).

PEP Advisory IV Pty Ltd recharged $37,307,922 (2013: nil) in costs it incurred on the initial public offering and refinancing of the Company, to the Consolidated Entity.

PEP Advisory IV Pty Ltd recharged nil (2013: $41,204,579) in costs it incurred on the acquisition of Spotless Group Limited, to the Consolidated Entity.

(g) Controlling entities

The parent entity in the Consolidated Entity is Spotless Group Holdings Limited.

The ultimate parent entity in the wholly-owned group is Spotless Group Holdings Limited.

25. Business Combinations

On 16 August 2012, the Consolidated Entity acquired 100% of the voting shares of Spotless Group Limited.

The fair value of the assets and liabilities acquired in this business combination as disclosed in the financial statements of the Consolidated Entity for the year ended 30 June 2013 were accounted for as provisional and have subsequently been finalised during this reporting period. As a result the following adjustments have been made during the period to Goodwill following the receipt of additional information with regards to facts and circumstances surrounding the fair values of assets and liabilities as at the acquisition date that were not known at the date of the 30 June 2013 financial statements:

	Provisional at 30 June 2013 $m	Finalisation $m	Final at 30 June 2014 $m
Assets			
Property, plant and equipment	251.6	(15.0)	236.6
Deferred tax assets	59.0	7.1	66.1
Other assets	627.0	1.6	628.6
	937.6	(6.3)	931.3
Liabilities			
Trade payables	313.0	15.3	328.3
Deferred tax liability	44.5	(13.1)	31.4
Other liabilities	687.9	12.3	700.2
	1,045.4	14.5	1,059.9
Total identifiable net liabilities at fair value	(107.8)	(20.8)	(128.6)
Purchase consideration transferred	698.8	-	698.8
Goodwill arising on an acquisition	806.6	20.8	827.4

26. Commitments for Expenditure	**2014 $m**	2013 $m
(a) Capital expenditure commitments		
Plant and equipment	**26.3**	5.3
Catering rights	**69.0**	98.8
	95.3	104.1

(b) Lease commitments

Non-cancellable operating lease commitments are disclosed in Note 28 to the financial statements.

27. Contingent Liabilities

Legal proceedings (i)	**-**	-
Contract and bank guarantees and letters of credit (ii)	**67.1**	49.1

(i) The Consolidated Entity does not have any material contingent liabilities in respect of legal proceedings as at 30 June 2014. A number of legal claims exist where the outcome is uncertain. Where practicable, provision has been made in the financial statements to recognise the estimated cost to settle the claims based on best estimate assumptions and legal advice where relevant. The actual amounts settled in relation to the outstanding matters may differ to those estimated.

(ii) A number of entities within the Consolidated Entity are required to guarantee their performance or provide financial surety for certain contracts. The amount disclosed represents the aggregate amount of such guarantees. The extent to which an outflow of funds will be required is dependent on the future operations.

28. Leases	**2014 $m**	2013 $m

Operating leases

Leasing arrangements

Operating leases relate to office facilities, motor vehicles and laundry plants with lease terms of 1 month to 15 years. All operating lease contracts contain market review clauses in the event that the Consolidated Entity exercises its option to renew. The Consolidated Entity does not have an option to purchase the leased assets at the expiry of the lease period.

Non-cancellable operating leases

Not longer than 1 year	**33.0**	36.6
Longer than 1 year and not longer than 5 years	**71.1**	65.8
Longer than 5 years	**48.7**	45.8
	152.8	148.2

29. Remuneration of Auditors

Auditor of the parent entity (i)	**2014 $'000**	2013 $'000
Auditing the financial statements	**468**	200
Other services:		
Catering right audits	**-**	20
Initial Public Offering related reviews and assurance reports	**794**	-
Initial Public Offering related tax due diligence services	**198**	-
Due diligence services	**938**	-
Taxation services	**635**	389
Other non audit services	**108**	39
Other assurance services	**23**	60
	3,164	708

(i) The auditor of Spotless Group Holdings Limited is Ernst & Young.

Audit fees were paid on behalf of the Company by a subsidiary of the Consolidated Entity.

30. Controlled Entities

Parent entity (incorporated in Australia)

Spotless Group Holdings Limited

The financial statements of the Consolidated Entity include the following wholly-owned entities with ownership interest of 100% (all are incorporated in Australia unless otherwise noted):

Name of entity	Ref
Pacific Industrial Services FinCo Pty Limited	(a)
Pacific Industrial Services BidCo Pty Limited	(a)
Spotless Group Limited	(a)
Berkeley Challenge Pty Ltd	(a)
Berkeley Challenge (Management) Pty Ltd	(b)
Berkeleys Franchise Services Pty Ltd	(a)
Berkeley Railcar Services Pty Ltd	(b)
Cleandomain Pty Ltd	(a)
Cleanevent Australia Pty Ltd	(a)
Cleanevent Holdings Pty Ltd	(a)
Cleanevent International Pty Ltd	(a)
Cleanevent Technology Pty Ltd	(a)
Ensign Services (Aust) Pty Ltd	(a)
Nationwide Venue Management Pty Ltd	(a)
Riley Shelley Services Pty Ltd	(a)
Sports Venue Services Pty Ltd	(a)
Spotless Defence Services Pty Ltd	(a)
Spotless Facility Services Pty Ltd	(a)
Spotless Facility Services (NZ) Limited	(b)
Spotless Holdings (NZ) Limited	(b)
Spotless Investment Holdings Pty Ltd	(a)
Spotless Management Services Pty Ltd	(a)
Spotless Property Cleaning Services Pty Ltd	(a)
Spotless Services Australia Limited	(a)
Spotless Services Limited	(a)
SSL Asset Services (Management) Pty Ltd	(a)
SSL Facilities Management Pty Ltd	(a)
SSL Facilities Management Real Estate Services Pty Ltd	(a)
SSL Security Services Pty Ltd	(a)
Taylors Two Two Seven Pty Ltd	(a)

(a) These wholly-owned entities are relieved from the requirement to prepare audited accounts under the Australian Securities and Investments Commission Class Order 98/1418. It is a condition of the Class Order that Spotless Group Holdings Limited and each of these wholly owned entities enter into a Deed of Cross Guarantee whereby each company to the Deed guarantees to each creditor payment in full of any debt. These wholly-owned entities all form part of the tax consolidated group of which Spotless Group Holdings Limited is the head entity.

(b) Incorporated in New Zealand.

30. Controlled Entities (continued)

Set out below are the consolidated income statement and balance sheet of those wholly-owned entities that are relieved from the requirement to prepare accounts under ASIC Class Order 98/1418 as they are party to the deed of cross guarantee with Spotless Group Holdings Limited:

	Consolidated 2014 $m
Income Statement	
Revenue	2,219.7
Other income	8.9
	2,228.6
Direct employee and subcontractor expenses	(1,525.4)
Raw materials, consumables and finished goods used	(306.9)
Other expenses	(247.4)
Loss before depreciation, finance costs and income tax expense (EBITDA)	148.9
Depreciation and amortisation expense	(55.5)
Loss before finance costs and income tax expense (EBIT)	93.4
Net finance costs	(158.1)
Loss before income tax expense	(64.7)
Income tax expense	13.1
Loss for the period	(51.6)

	Consolidated 2014 $m
Balance Sheet	
Current assets	
Cash and cash equivalents	72.5
Trade and other receivables	341.0
Inventories	19.9
Prepayments	6.6
Assets classified as held for sale	5.5
Total current assets	445.5
Non-current assets	
Investments accounted for using the equity method	0.2
Investment in subsidiaries	34.0
Trade and other receivables	14.6
Property, plant and equipment	193.8
Goodwill	773.7
Intangible assets	140.5
Deferred tax assets	171.5
Prepayments	1.4
Other financial assets	14.4
Total non-current assets	1,344.1
Total assets	1,789.6
Current liabilities	
Trade and other payables	235.8
Borrowings	-
Current tax payables	12.2
Provisions	87.9
Other	3.3
Total current liabilities	339.2
Non-current liabilities	
Amounts due to related parties	154.1
Borrowings	483.2
Deferred tax liabilities	72.8
Provisions	49.6
Other	6.0
Total non-current liabilities	765.7
Total liabilities	1,104.9
Net assets	684.7
Equity	
Issued capital	993.2
Reserves	23.4
Accumulated losses (i)	(331.9)
Total equity	684.7
(i) Accumulated losses	
Balance at beginning of the year	(166.8)
Net Loss attributable to members of the parent entity	(51.6)
Dividends paid	(113.5)
Balance at end of the year	(331.9)

The Company entered into a deed of cross guarantee in respect of all Australian wholly-owned entities in the Consolidated Entity on 28 March 2014. As such, there did not exist a 'closed group' in the prior corresponding period and therefore no comparative information has been disclosed.

31. Financial Instruments

(a) Capital risk management

The Consolidated Entity's capital risk management objective is to safeguard the ability of the Consolidated Entity to continue as a going concern in order to continue to provide returns to stakeholders whilst maintaining an optimal capital structure that reduces the cost of capital.

The capital structure of the Consolidated Entity was as follows:

	2014 **$m**	2013 $m
Cash and cash equivalents (Note 9(a))	**(105.4)**	**-**
Current borrowings (Note 17)	**0.1**	17.4
Non-current borrowings (Note 19)	**632.1**	565.1
Derivatives at fair value	**0.1**	(2.4)
Issued capital, reserves and retained earnings	**719.2**	545.7
Total capital	**1,246.1**	1,125.8

The Board of Directors regularly reviews the capital structure by considering the absolute and relative cost and risks associated with each class of capital, market conditions, stakeholder expectations and current market practices. In order to effect capital management initiatives to maintain or adjust the capital structure, adjustments may be made to the amount of permitted distributions, the issuance or return of equity capital to shareholders, or the procurement or retirement of debt.

Operating cash flows are used to maintain and expand the assets of the Consolidated Entity, as well as to make routine outflows of tax, interest, dividends and debt repayments. The Group's financing activities are coordinated centrally through Group Treasury.

To meet its anticipated funding requirements the Consolidated Entity uses a portfolio of borrowing facilities.

(b) Financial assets and financial liabilities

	2014 **$m**	2013 $m
Financial Assets		
Cash and cash equivalents	**105.4**	-
Loans and receivables	**341.5**	346.6
Derivatives at fair value through OCI	**-**	2.3
Derivatives at fair value through profit and loss	**-**	0.1

Loans and receivables are non-interest bearing assets that are held to maturity. The carrying value may be affected by changes in the credit risk of the counterparties.

Derivatives at fair value through OCI represent the change in fair value of interest rate swaps and cross currency swaps designated as cash flow hedges to hedge highly probable future cash flows.

Derivatives at fair value through profit and loss represent the positive change in fair value of interest rate swaps not designated as being in a hedge relationship, but are, nevertheless, intended to reduce the level of interest rate risk for interest-bearing liabilities.

	2014 **$m**	2013 $m
Financial Liabilities		
Borrowings	**(632.2)**	(582.5)
Trade and other payables	**(277.1)**	(319.1)
Derivatives at fair value through OCI	**(0.1)**	-

Borrowings comprise interest bearing liabilities recorded at amortised cost, net of borrowing costs, that are held to maturity. During the year the Consolidated Entity's committed financing facilities comprised:

	2014	2013
Unsecured multi-option facility, effective 28 May 2014, structured as a $A324.9m and a NZ$107.0m revolving credit facility repayable on 28 May 2017, and a $A163.6m and a NZ$53.0m revolving credit facility repayable on 28 May 2018 (**Syndicated Facility Agreement**).		
Amount drawn	**637.2**	-
Amount undrawn	**-**	-
Unsecured multi-option facility structured as a A$115m dual-currency cash advance facility, with a NZ$70.0m sub-limit, commencing 28 May 2014 and expiring 28 May 2016 (**Bilateral Facility Agreement**).		
Amount drawn	**-**	-
Amount undrawn	**115.0**	-
On 2 October 2013, the Consolidated Entity secured US$1,080m of external borrowings comprising a five year US$845m term loan and a five and a half year US$235m term loan, in addition to a four and a half year A$200m revolving cash advance facility (**Term Loan B**). On 28 May 2014, the Term Loan B facility was repaid in full.		
Amount drawn	**-**	-
Amount undrawn	**-**	-
Secured multi-option facility structured as a A$141.0m and NZ$52.1m amortising term loan facility, a A$300.0m and NZ$117.2m term loan facility, a A$80m term loan facility, a A$70m multicurrency revolving letter of credit and bank guarantee credit facility, and a A$120m multicurrency revolving cash advance facility, with a maturity date of 16 August 2017, as well as a A$35m multicurrency revolving cash advance facility with a maturity date of 16 February 2014 (**Senior Syndicated Facility Agreement**). The Senior Syndicated Facility Agreement was repaid on 3 October 2013.		
Amount drawn (i)	**-**	619.3
Amount undrawn (ii)	**-**	199.3
Total financing facilities	**752.2**	**818.6**

(i) Excludes $70m committed multicurrency revolving letter of credit and bank guarantee facility.

(ii) Excludes $49.1m in bank guarantees drawn at reporting date. Refer Note 28.

31. Financial Instruments (continued)

(c) Hedging activities and derivatives

Derivatives not designated as hedging instruments

The Consolidated Entity uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges as they are short-term in nature (less than 12 months) and reflect the period of exposure of the underlying transaction.

Effective 2 October 2013, the Consolidated Entity entered into a combination of cross currency and interest rate swaps to swap the Term Loan B US dollar debt liability into fixed-rate Australian dollar and New Zealand dollar denominated debt. The Consolidated Entity elected not to designate the cross currency and interest rate swaps as cash flow hedges. The cross currency and interest rate swaps were terminated on 28 May 2014 upon termination of the Term Loan B facility.

Cash flow hedges

Interest Rate Risk
Interest rate swap contracts measured at fair value through OCI are designated as hedging instruments in cash flow hedges of highly probable forecast transactions, as they hedge exposure to the variability in cash flows attributable to movements in the base interest rate for the Syndicated Facility Agreement and Senior Syndicated Facility Agreement.

Effective 30 September 2013, the Consolidated Entity terminated the interest rate swap contracts which eliminated the variability of interest rate cash flows on a portion of the Australian dollar and New Zealand dollar denominated debt for the Senior Syndicated Facility Agreement. The amount reclassified from OCI and recognised in profit and loss on termination of the interest rate swaps was $1.1m.

Effective 28 May 2014, the Consolidated Entity entered into interest rate swap contracts to hedge the variability of interest rate cash flows payable on a portion of the Australian dollar and New Zealand dollar denominated debt for the Syndicated Facility Agreement until 28 May 2018. The terms of the interest rate swap contracts have been structured to match the terms of the highly probable forecast transaction. As a result, no hedge ineffectiveness is expected requiring recognition through profit and loss.

The cash flow hedges of the Syndicated Facility Agreement were assessed to be highly effective and a net unrealised loss of $0.1m.

Outstanding Floating for Fixed Contracts

	NZD		AUD		**Total AUD**
	Average Fixed %	Notional Amount $m NZD	Average Fixed %	Notional Amount $m AUD	**Notional Amount $m AUD**
Interest Rate Swaps					
Less than 3 months		-		-	-
3-12 months		-		-	-
1-3 years	4.11%	336.0	3.01%	1,026.0	1,338.2
3 years +	4.73%	26.5	3.79%	81.8	106.4

Fair values

The carrying amount of financial assets or liabilities recognised in the financial statements are deemed to be their fair value. The fair value of derivative financial instruments, as well as the methods used to estimate the fair value is the Level 2 Observable Inputs method using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

(d) Financial covenants

The Consolidated Entity's borrowing facilities require compliance with financial covenants. The financial covenants applicable during the year comprised:

Senior Syndicated Facility Agreement
Interest cover ratio
Debt Service Cover Ratio
Senior Gearing Ratio

Term Loan B
First Lien Senior Secured Leverage Ratio

Syndicated Facility Agreement*
Net Leverage Ratio
Interest Cover Ratio

Bilateral Facility Agreement*
Net Leverage Ratio
Interest Cover Ratio
** First test date of 31 December 2014*

The Board of Directors reviews compliance with the Syndicated Facility Agreement and Bilateral Facility Agreement financial covenants on a six-monthly basis. Compliance with the Senior Syndicated Facility Agreement and Term Loan B financial covenants was reviewed on a quarterly basis. No financial covenant was breached during the year.

31. Financial Instruments (continued)

(e) Financial risk management

The Consolidated Entity's activities create an exposure to a number of financial risks including market risk (interest rate and foreign exchange), liquidity risk and credit risk.

The Consolidated Entity's financial risk management objective is to minimise the potential adverse effects on financial performance arising from changes in financial risk. Financial risk is managed centrally by Group Treasury under the direction of the Board of Directors. The Consolidated Entity does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset or a financial liability will change as a result of changes in market interest rates. The Consolidated Entity's exposure to interest rate risk arises primarily from those financial instruments that regularly reprice to a market rate of interest (i.e. have a variable rate of interest). Financial assets and financial liabilities that are at a fixed interest rate do not create a variable cash flow exposure.

The Consolidated Entity regularly monitors interest rate exposure and reports this to the Board of Directors.

Borrowings issued at variable rates expose the Consolidated Entity to cash flow interest rate risk. The Consolidated Entity manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps for a portion of variable rate borrowings. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Consolidated Entity enters into and designates a selection of interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

At 30 June 2014, after taking into account the effect of interest rate swaps and other fixed-rate borrowings, $637.3m (2013: $468.2m) or 100% (2013: 75.5%) of the Consolidated Entity's borrowings are at a fixed rate of interest.

The following table details the sensitivity to earnings and equity resulting from a change in Australian, New Zealand and US Dollar interest rates. The sensitivity analysis assumes a constant bank credit margin and a parallel shift in the interest rate yield curve.

	2014 $m	2013 $m
100 basis point p.a. increase		
Net profit	**-**	(0.8)
Equity	**9.6**	9.0
100 basis point p.a. decrease		
Net profit	**-**	0.8
Equity	**(9.6)**	(9.0)

A positive number indicates an increase in net profit and equity. All amounts are undiscounted after tax.

A ± 100 basis point (1.00%) change has been used in this sensitivity on the basis that this change is representative of the average change in interest rates over a two year period, which is the period during which the Consolidated Entity has variable interest rate exposure.

Foreign Currency Risk

Foreign currency risk is the risk that the value of a financial commitment (including a forecast transaction) or a recognised financial asset or financial liability will change as a result of changes in market foreign exchange rates. The Consolidated Entity's exposure to the risk of changes in foreign exchange rates relates primarily to the Consolidated Entity's operating activities (when revenue or expense is denominated in a different currency from the Group's presentation currency) and the Consolidated Entity's net investments in foreign subsidiaries.

In addition, the Consolidated Entity operates internationally and is exposed to foreign exchange risk where its subsidiaries transact in a currency other than the functional currency of the subsidiary.

Changes in the value of the investments in subsidiaries are recorded in the foreign currency translation reserve.

The Consolidated Entity regularly monitors foreign exchange exposure and reports this to the Board of Directors. Foreign exchange risk is managed using a combination of natural hedging and foreign exchange derivative transactions. Operating cash flows in foreign currencies are used to meet interest and principal repayments under foreign currency borrowings.

31. Financial Instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not have sufficient funds to meet its financial commitments as and when they fall due.

The Consolidated Entity regularly monitors liquidity risk and reports this to the Board of Directors. Liquidity risk is managed through frequent and periodic cash flow forecasting and analysis. Liquidity support is provided through holding a liquidity margin in committed debt facilities. At 30 June 2014, the Consolidated Entity had unutilised committed debt facilities of $115.0m (2013: $199.3m).

The Consolidated Entity's contractual maturity date for its financial liabilities is as follows. The tables are based upon undiscounted cash flows.

2014	Average Interest Rate	Less than 3 months $m	3 to 12 months $m	12 months to 3 years $m	Greater than 3 years $m	**Total** $m
Non-derivative financial liabilities						
Trade & other payables	-	(277.1)	-	-	-	(277.1)
Bank loans (i)	4.41%	-	-	(424.3)	(212.9)	(637.2)
Finance lease liabilities	10.00%	-	(0.1)	(0.2)		(0.3)
Interest rate swap		-	-	(0.1)	-	(0.1)
		(277.1)	(0.1)	(424.6)	(212.9)	(914.7)

2013	Average Interest Rate	Less than 3 months $m	3 to 12 months $m	12 months to 3 years $m	Greater than 3 years $m	Total $m
Trade & other payables	-	(319.1)	-	-	-	(319.1)
Bank loans (i)	6.00%	(6.1)	(23.6)	(75.4)	(517.2)	(622.3)
Finance lease liabilities	10.00%	-	(0.1)	(0.2)	(0.2)	(0.5)
		(325.2)	(23.7)	(75.6)	(517.4)	(941.9)
Derivative financial assets						
Interest rate swap		(0.6)	(1.5)	2.0	2.5	2.4

(i) Excludes deferred borrowing costs of $5.3m (2013 $40.3m)

(f) Credit Risk Management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Consolidated Entity. The Consolidated Entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Consolidated Entity measures credit risk on a fair value basis.

Trade receivables consist of a large number of customers, spread across a diverse range of industries and geographical areas. In addition, receivable balances are monitored on a monthly basis with the result that the Consolidated Entity's exposure to bad debts is not significant.

The Consolidated Entity 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 and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any provisions for losses, represents the Consolidated Entity's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Spotless Group Holdings Limited
(*formerly known as Pacific Industrial Services Pty Limited)*

32. Events After the Reporting Period

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected or may significantly affect, the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity's in future financial years.

33. Discontinued Operations

On 1 December 2012 and 14 December 2012 the Consolidated Entity disposed of the International Services and Braiform businesses respectively for total consideration of $50.0m.

The results of the discontinued operations for the period to their respective sale dates are presented below:

	2014 $m	2013 $m
Revenue	-	89.0
Expenses	-	(95.0)
Loss on disposal	-	(32.8)
Loss before income tax benefit	**-**	(38.8)
Income tax benefit on operating activities of discontinued operations	-	0.2
Loss after tax from discontinued operations	**-**	(38.6)

Cash flow information - discontinued operations:

The cash flows from the discontinued operations contained in the Group cash flow statement are:

Net cash inflow from operating activities	-	2.5
Net cash outflow from investing activities	-	(1.5)
Net cash inflow	-	1.0

The loss on disposal of controlled entities is calculated as follows:

Sale proceeds	-	50.0
Net assets sold	-	82.8
Loss on sale of controlled entities	-	(32.8)
Cash	-	23.8
Trade receivables	-	36.7
Inventories	-	20.1
Prepayments	-	1.7
Other financial assets	-	1.3
Property, plant and equipment	-	33.5
Intangibles	-	1.5
Deferred tax assets	-	4.7
Trade payables	-	(41.8)
Provisions	-	(1.3)
Tax payable	-	0.2
Deferred tax liabilities	-	(2.0)
Other	-	4.4
Total net assets disposed	-	82.8

34. Parent Entity Disclosures

As at 30 June 2014 the parent company of the Consolidated Entity was Spotless Group Holdings Limited.

	2014 $m	2013 $m
Result of the parent entity		
Profit after tax for the year	**124.4**	-
Other comprehensive income	**-**	-
Total comprehensive loss for the year	**124.4**	**-**
Financial position of the parent entity at year end		
Current assets	**47.6**	3.5
Non current assets	**1,457.1**	627.6
Total assets	**1,504.7**	631.1
Current liabilities	**40.8**	-
Non current liabilities	**489.5**	-
Total liabilities	**530.3**	-
Net assets	**974.4**	631.1
Total equity of the parent entity at year end comprised:		
Issued capital	**993.2**	631.1
Reserves	**5.3**	-
Accumulated losses	**(24.1)**	-
Total equity	**974.4**	631.1

During the year the Company received $158.4 million (2013: Nil) of dividend from its wholly-owned subsidiary.

Parent entity contingencies

The parent entity has no bank guarantees or any contingent liabilities or capital commitments as at 30 June 2014 (2013: Nil).

Parent entity guarantees in respect of debts of its subsidiaries

Spotless Group Holdings Limited has issued the following guarantees in relation to the debts of its subsidiaries:

Pursuant to Class Order 98/1418, Spotless Group Holdings Limited has entered into a deed of cross guarantee on 28 March 2014. The effect of the deed is that Spotless Group Holdings Limited has guaranteed to pay any deficiency in the event of winding up of any controlled entity. The controlled entities have also given a similar guarantee in the event that Spotless Group Holdings Limited is wound up.

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Auditor's Independence Declaration to the Directors of Spotless Group Holdings Limited

In relation to our audit of the financial report of Spotless Group Holdings Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Bruce Meehan
Partner
Melbourne

25 August 2014

Directors' Declaration

The Directors of Spotless Group Holdings Limited declare that in the opinion of the Directors:

(a) the financial statements and notes thereto are in accordance with the *Corporations Act 2001* ("the Act") including:

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

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

On behalf of the Board of Directors

M Jackson	B Dixon
Chairman	Chief Executive Officer & Managing Director
Melbourne, 25 August 2014	Melbourne, 25 August 2014

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Independent auditor's report to the members of Spotless Group Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Spotless Group Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Opinion

In our opinion:

a. the financial report of Spotless Group Holdings Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion, the Remuneration Report of Spotless Group Holdings Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Bruce Meehan
Partner
Melbourne

25 August 2014