MainstreamBPO
SPECIALISTS IN BUSINESS PROCESS OUTSOURCING

MainstreamBPO Limited and its Controlled Entities

ABN 48 112 252 114

Interim Financial Report

For the half year ended 31 December 2015

Contents

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, the report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by MainstreamBPO Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Chairman and Managing Director's report

Dear Shareholder,

On behalf of the Board I am pleased to provide our first half yearly update as an ASX listed company.

During this half year the company listed on 1 October 2015. This milestone was the result of the continued development of the business over nine years since its inception.

The group had a successful first half year, characterised by continued strong growth in funds under administration (which increased from $52.3 billion to $59.2 billion for the six months to 31 December 2015) and strong growth in earnings.

For the half year ended 31 December 2015 the group's net profit after income tax increased by 153.6% to $0.3 million (compared to $0.1 million for the six months to 31 December 2014). Revenue was $8.8 million which was an increase of 24.8% compared to the six months to 31 December 2014. This is in line with our expectations.

Client numbers increased during the period, with the group administering 322 funds for 108 clients as at 31 December 2015 (up from 265 funds for 82 clients as at 30 June 2015). Our underlying business of fund and superannuation administration across a number of geographies remains strong. Across the board, our clients continue to experience significant fund inflows. We have worked with a number of our key clients to bring innovative products to market during the period. This trend will continue. Our business development activities are delivering increased revenue opportunities consistent with our plans.

During the half year we purchased the Asia-Pacific hedge fund administration business of Alter Domus. This transaction was completed on 31 December 2015 for a final price of $1.4 million (USD $1.0 million). This transaction builds on our earlier success in expansion into Asia through our Hong Kong and Singapore offices. We continue to evaluate additional acquisition opportunities in a number of jurisdictions, supporting our ambition for further international expansion.

We continue to invest in the business for the long term. On 4 February 2016, FundBPO purchased approximately $400,000 of PFS-PAXUS fund administration software licences, improving the new business margin of our international businesses and expanding the range of online and remote services available to our hedge fund clients. A number of other internal projects are underway to deliver further efficiencies and strengthen our leading market position. We believe our strong operational processes - along with our stable management team and technology platforms - remain a key strength.

The company believes the sector's outlook remains strong. Outsourcing is key to most asset managers' operating models and Australia's $2.6 trillion funds management industry is one of the largest and fastest growing in the world. Similar trends continue in Asia. Our view is there are further jurisdictions offering further quality, recurring revenue and economies of scale for our business and we continue to evaluate global expansion opportunities.

In summary, based on the current volume of fund flow being experienced by our clients and the finalisation of contracts as a result of our business development activity, MainstreamBPO is on track to meet its FY2016 Prospectus forecast.

We look forward to reporting to you again in our annual report.

Byram Johnston OAM
Chairman and Managing Director

Directors' report

The Directors of MainstreamBPO Limited (the "Company" or "MainstreamBPO") present their financial report for the Company and its controlled entities which together form the consolidated entity (the "Group") in respect of the half year ended 31 December 2015.

Directors

The following persons were Directors of the Company during the half year and up to the date of this report:

Name	Directorship	Appointed
Byram Johnston	Chief Executive Officer, MainstreamBPO	17 Dec 2004
Martin Smith	Chief Executive Officer, FundBPO	17 Dec 2004
Michael Houlihan	Chief Executive Officer, SuperBPO	5 May 2015
John Plummer	Non-executive Director	17 Jul 2015
Lucienne Layton	Non-executive Director	17 Jul 2015

Review and results of operation

For the half year ended 31 December 2015 the Group's net profit after income tax increased by 153.6% to $0.3 million (compared to $0.1 million for the six months to 31 December 2014). Revenue was $8.8 million which increased by 24.8% over the six months to 31 December 2014.Please refer to the Chairman and Managing Director's Report for further information on the Group's operations, including details on the Group's strategy and future outlook.

Dividends

No dividends were declared and paid during the half year ended 31 December 2015 (31 December 2014: $0).

For the half year ended 31 December 2015 the Company had $462,925 of franking credits available.

Significant changes in the state of affairs

On 17 July 2015, shareholders approved the resolution to subdivide the entire issued share capital of the Company, represented by 1,000 ordinary shares, into 64,000,000 ordinary shares.

On 28 August 2015, the Company entered into an Asset Sale Agreement to purchase the Asia Pacific hedge fund administration business from Alter Domus, an international provider of fund administration services to hedge funds, further increasing its expansion in Asia. The transaction was completed on 31 December 2015 for a final purchase price of $1.4 million (USD $1.0 million).

On 1 October 2015, MainstreamBPO Limited listed on the ASX raising capital of $8.9 million through the issuance of ordinary shares.

Other than the above, there were no significant changes in the state of affairs of the Group during the half year ended 31 December 2015.

Directors' report continued

Events subsequent to the end of the reporting date

On 4 February 2016, the Company announced that FundBPO Pte Ltd, a wholly owned subsidiary of MainstreamBPO Limited, purchased licences for PFS-PAXUS fund accounting and administration software supplied by Pacific Fund Systems Limited, for its Singapore and Hong Kong based fund services business, at a one off capital cost of approximately $400,000.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

Signed in accordance with a resolution of the Directors:

B Johnston

Byram Johnston OAM
Director

Sydney
Date: 12 February 2016

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Auditor's Independence Declaration to the Directors of MainstreamBPO Limited

As lead auditor for the review of MainstreamBPO Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

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

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

This declaration is in respect of MainstreamBPO Limited and the entities it controlled during the financial period.

Ernst & Young

Rita Da Silva
Partner
12 February 2016

Consolidated statement of profit or loss and other comprehensive income

For the half year ended 31 December 2015

	Note	Consolidated 2015	2014
		$	$
Revenue			
Fee income		8,270,955	6,561,393
Other operating income		438,708	466,306
Interest income		115,310	41,614
Total revenue	6	**8,824,973**	**7,069,313**
Expenses			
Employee benefits expense		5,095,164	4,765,212
Share-based payments expense	7	333,061	-
Accounting and audit fees		208,838	96,378
Amortisation and depreciation expense		183,225	110,441
Bank fees and charges		71,590	50,214
Insurance		103,355	72,944
Interest expense		89,150	46,129
IT support and expenses		1,186,992	953,605
Legal fees		27,774	11,386
Occupancy and general expenses		802,958	677,817
Other expenses		208,188	171,738
Total expenses		**8,310,295**	**6,955,864**
Profit before income tax expense		**514,678**	**113,449**
Income tax expense/(benefit)	5	192,028	(13,789)
Profit after income tax expense for the half year		**322,650**	**127,238**
Other comprehensive income			
Exchange differences on translation of foreign subsidiaries		49,279	(56,229)
Other comprehensive income for the half year, net of tax		**49,279**	**(56,229)**
Total comprehensive income for the half year		**371,929**	**71,009**
Earnings per share (EPS):			
Basic earnings per share		$0.0047	$127.2380
Diluted earnings per share		$0.0046	$127.2380

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

Consolidated statement of financial position

As at 31 December 2015

	Note	31 December 2015 $	30 June 2015 $
Assets			
Current Assets			
Cash and cash equivalents	8	754,644	242,400
Trade and other receivables		2,407,852	1,651,994
Other	9	1,128,782	1,263,137
Total Current Assets		**4,291,278**	**3,157,531**
Non-Current Assets			
Property, plant and equipment		661,936	740,685
Intangible assets	10	7,311,521	6,654,778
Deferred tax asset		489,157	157,883
Total Non-Current Assets		**8,462,614**	**7,553,346**
Total Assets		**12,753,892**	**10,710,877**
Liabilities			
Current Liabilities			
Trade creditors		847,177	1,040,157
Accrued expenses		574,974	524,502
Provision for employee benefits		506,998	441,471
Provision for income tax		303,146	270,853
Shareholder loans	11	-	1,230,000
Interest-bearing liabilities	12	-	1,250,000
Deferred consideration	10	-	750,000
Other		487,741	866,090
Total Current Liabilities		**2,720,036**	**6,373,073**
Non-Current Liabilities			
Shareholder loans	11	-	192,533
Deferred consideration	10	-	1,000,000
Other non-current liabilities	13	-	500,000
Total Non-Current Liabilities		**-**	**1,692,533**
Total Liabilities		**2,720,036**	**8,065,606**
Net Assets		**10,033,856**	**2,645,271**
Equity			
Contributed capital	14	8,834,968	1,745,760
Reserves	15	322,181	345,454
Retained earnings		876,707	554,057
Total Equity		**10,033,856**	**2,645,271**

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

Consolidated statement of changes in equity

For the half year ended 31 December 2015

	Contributed Capital	Reserves	Retained Earnings	Total Equity
	$	$	$	$
Consolidated				
Balance at 1 July 2015	**1,745,760**	**345,454**	**554,057**	**2,645,271**
Profit after income tax expense	-	-	322,650	322,650
Other comprehensive income, net of tax	-	49,279	-	49,279
Total comprehensive income, net of tax	**-**	**49,279**	**322,650**	**371,929**
Transactions with owners in their capacity as owners:				
Shares issued under IPO	8,901,455	-	-	8,901,455
Transaction costs, net of tax	(1,044,247)	-	-	(1,044,247)
Share buy-backs	(1,254,400)	-	-	(1,254,400)
Shares issued	486,400	-	-	486,400
Share-based payments	-	(72,552)	-	(72,552)
Balance at 31 December 2015	**8,834,968**	**322,181**	**876,707**	**10,033,856**
Balance at 1 July 2014	**1,745,760**	**421,609**	**177,706**	**2,345,075**
Profit after income tax expense	-	-	127,238	127,238
Other comprehensive income, net of tax	-	(56,229)	-	(56,229)
Total comprehensive income, net of tax		(56,229)	127,238	71,009
Transactions with owners in their capacity as owners:				
Shares issued	-	-	-	-
Dividends paid	-	-	-	-
Balance at 31 December 2014	**1,745,760**	**365,380**	**304,944**	**2,416,084**

Consolidated statement of cash flows

For the half year ended 31 December 2015

	Note	Consolidated 2015 $	Consolidated 2014 $
Cash flows from operating activities			
Income received		7,953,805	6,867,524
Operating expenses paid		(8,151,590)	(6,136,179)
Interest received		115,310	39,836
Interest paid		(57,382)	(40,213)
Income tax paid		(180,169)	(86,456)
Net cash inflow/(outflow) from operating activities		**(320,026)**	**644,512**
Cash flows from investing activities			
Purchase of capitalised software & equipment		(54,495)	(232,608)
Purchase of intangible assets		(2,422,071)	(200,000)
Net cash outflow from investing activities		**(2,476,566)**	**(432,608)**
Cash flows from financing activities			
Shares issued under IPO		8,901,455	-
Transaction costs		(1,096,473)	-
Employee Gift Offer		(207,000)	-
IPO share buy-backs		(1,254,400)	-
Shares issued		137,787	
Repayment of interest bearing liabilities		(1,250,000)	(150,000)
Repayment of shareholder loans		(1,422,533)	(117,662)
Payment for ASX settlement bond		(500,000)	-
Net cash inflow/(outflow) from financing activities		**3,308,836**	**(267,662)**
Net increase/(decrease) in cash and cash equivalents during the half year		512,244	(55,758)
Cash at the beginning of the half year		242,400	921,645
Cash at the end of the half year	8	**754,644**	**865,887**

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

Notes to the financial statements

Note 1. Corporate information
This interim financial report is for MainstreamBPO Limited (the "Company") and its controlled entities (the "Group") for the half year ended 31 December 2015. The Company is a for profit entity limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded.

Note 2. Summary of significant accounting policies

Basis of preparation
The interim financial report for the half year ended 31 December 2015 is a general purpose financial report and has been prepared in accordance with AASB 134: *Interim Financial Reporting*, the *Corporations Act 2001* and other mandatory professional reporting requirements. It is presented in Australian dollars ($) and was approved by the Board of Directors on 12 February 2016. The Directors have the power to amend and reissue the financial report.

This interim financial report does not include all the information and disclosures normally included in the annual financial report. Accordingly, this report should be read in conjunction with the 30 June 2015 Annual Report, any public announcements made in respect of the Group during the half year ended 31 December 2015 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the Replacement Prospectus dated 21 August 2015.

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in the interim financial report.

New, revised or amending Accounting Standards and Interpretations adopted
The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period. None of the standards and amendments which became mandatory for the first time in the interim reporting period commencing 1 July 2015 resulted in any adjustments to the amounts recognised in the financial statements or disclosures.

Accounting Standards and Interpretations issued but not yet effective
The Australian and International Accounting Standards issued but not yet mandatory for the 31 December 2015 interim reporting period have not been adopted by the Group in the preparation of this interim financial report. An assessment of the impact of the new standards and interpretations which may have a material impact on the Group is set out below:

AASB 2014-4 Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to AASB 116 and AASB 138)
AASB 116 *Property Plant and Equipment* and AASB 138 *Intangible Assets* both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. This amendment clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. This standard will be effective to the Group 1 July 2016. The adoption of this amendment is not expected to have any material impact on the financial performance or position of the Group.

AASB 15 Revenue from Contracts with Customers
AASB 15 incorporates the requirements of IFRS 15 *Revenue from Contracts with Customers* issued by the International Accounting Standards Board (IASB) and developed jointly with the US Financial Accounting Standards Board (FASB). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This standard will be effective 1 July 2018. The Group is still in the process of assessing the impact.

IFRS 16 Leases
During January 2016, the IASB issued IFRS 16 *Leases*, which replaces the existing leases guidance in IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Lease – Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The definition if based on the premise of control, where a lease is identified when a customer has the right to (1) obtain substantially all of the economic benefits from the use of the identified asset; and (2) direct the use of the identified asset.

IFRS 16 provides a single model for accounting for leases by lessees. Leases other than low value and short-term leases must be recognised on the balance sheet of lessees. The lessee will recognise an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments. Expenses in respect of leases will include amortisation of the right-of-use asset and interest expense in respect of the lease liability. Lessors will continue to account for leases as either operating or finance leases, consistent with current practice. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is derecognised and a lease receivable is recognised.

The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. The Group is still in the process of assessing the impact.

Issued capital
On 1 October 2015, MainstreamBPO Limited listed on the ASX raising capital of $8.9 million through the issuance of ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share based payments
Share based compensation benefits may be provided to employees. The fair value of the shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period in which employees become unconditionally entitled to the shares.

The fair value of the shares at grant date is determined using an acceptable model that takes into account the share price at grant date, the expected dividend yield, the risk-free interest rate for the term and any restrictions on the shares. The fair value of the shares granted excludes the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each reporting date, the Company revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of profit or loss and other comprehensive income with a corresponding adjustment to equity.

Earnings per share
Basic earnings per share is calculated as net profit/(loss) after income tax expense for the half year divided by the weighted average number of ordinary shares on issue. Diluted earnings per share is calculated by adjusting the basic earnings per share to take into account the effect of any costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares. Refer to note 4 for further details.

Notes to the financial statements continued

Critical accounting judgements, estimates and assumptions

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

Assessment of impairment of receivables

The impairment of receivables assessment requires a degree of estimation and judgement and takes into account the recent experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations, loss of customers or some other event. The amortisation period for intangible assets with a finite life are reviewed at least annually.

Goodwill and other indefinite life intangible assets

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

Non-market vesting conditions

Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest for Senior Management and Director share-based payment awards. At each reporting date, the Group revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Note 3. Segment reporting

Due to the nature of the Group's operations and current size of the Group, for management reporting purposes, the chief operating decision makers (being the Board of Directors) currently consider and report on the business units' operating results and financial position as one reportable operating segment – fund administration. Refer to the statement of profit or loss and other comprehensive income for the Group's results.

MainstreamBPO has operations in Australia and Asia. The table below shows a break-up of revenue by geography.

	2015 $	2014 $
Australia	7,309,842	6,131,795
Asia	1,515,131	937,518
	8,824,973	**7,069,313**

Note 4. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS computations:

	2015 $	2014 $
Profit attributable to ordinary equity holders of the parent:	**322,650**	**127,238**
Weighted average number of ordinary shares for basic EPS*	68,515,722	1,000
Effects of dilution from:		
- Director Share Offer	440,000	-
- Senior Management Share Offer	750,000	-
Weighted average number of ordinary shares adjusted for the effect of dilution*	69,705,722	1,000

*The calculation of weighted average number of ordinary shares outstanding takes into account the share split of 1,000 shares into 64,000,000 ordinary shares that occurred on 17 July 2015 and also takes into account the net issuance of 20,333,638 ordinary shares in connection with the Company's IPO that occurred on 1 October 2015. As at 31 December 2015, there were 84,333,638 ordinary shares outstanding.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Note 5. Income tax

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the consolidated statement of profit or loss for the half years ended 31 December 2015 and 2014 are:

	Consolidated	
	2015	**2014**
	$	**$**
Current income tax	213,031	17,515
Current tax adjustment for prior periods	(814)	7,118
Deferred tax expense/(benefit)	(20,189)	(38,422)
Income tax expense/(benefit)	**192,028**	**(13,789)**

Note 6. Revenue

	Consolidated	
	2015	**2014**
	$	**$**
Fee income	8,270,955	6,561,393
Other operating income	438,708	466,306
Interest income	115,310	41,614
Total revenue	**8,824,973**	**7,069,313**

Note 7. Share based payments

In connection with the Company's IPO that was completed on 1 October 2015, the Company has put in place an Employee Share Plan (ESP). The ESP is a plan under which Directors, senior management and eligible employees may be allocated Awards as a means of retaining their service and aligning their interests with shareholders. Awards can be issued in the form of Performance Rights, Options or Restricted Shares. The four main components of the ESP are summarised as below:

Employee Gift Offer
On 1 October 2015, 517,500 MainstreamBPO Limited shares were issued to 104 staff of MainstreamBPO Limited. Each recipient received 5,000 shares for nil consideration. The shares vested immediately however are restricted for 3 years.

Management Share Offer
On 1 October 2015, 496,532 MainstreamBPO Limited shares were issued to 13 members of the MainstreamBPO Limited management team for nil consideration. The shares vested immediately however are restricted for 1 year.

Notes to the financial statements continued

Senior Management Share Offer
An initial grant of Performance Rights under the Senior Management Share Offer (SMSO) has been made to the Company's Executive Directors. The total number of Performance Rights issued under the initial grant is 750,000 Performance Rights, with each Performance Right entitling the holder to be issued one (1) share at no cost if certain performance and service conditions are met over a 3 year vesting period. Non-market vesting conditions are included in assumptions about the number of shares that are expected to vest. At each reporting date, the Company revises its estimate of the number of shares that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate.

Director Share Offer
An initial grant of Performance Rights under the Director Share Offer (DSO) has been made to the Executive Directors. The total number of Performance Rights issued under the initial grant is 440,000 Performance Rights. The Performance Rights vest over a period of three years subject to certain share price performance hurdles being met. The fair value of share Performance Rights granted is estimated at the date of grant using a Monte-Carlo simulation model, taking into account the terms and conditions upon which the performance rights were granted.

The total expense recognised for share-based payments during the half year ended 31 December 2015 is:

	Consolidated	
	2015	**2014**
	$	**$**
Share-based payments		
Employee Gift Offer	134,550	-
Management Share Offer	158,890	-
Senior Management Share Offer	32,560	-
Director Share Offer	7,061	-
Total share-based payments expense	**333,061**	**-**

There were no cancellations or modifications to the awards in the half year ended 31 December 2015.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	31 December 2015	**30 June 2015**
	$	**$**
Cash at bank	**754,644**	**242,400**

On 1 October 2015, MainstreamBPO Limited listed on the ASX raising capital of $8.9 million through the issuance of ordinary shares. Refer to the consolidated statement of cash flows for further details.

Note 9. Current assets – other

	Consolidated	
	31 December 2015 $	30 June 2015 $
Prepayments	143,978	76,389
ASX settlement bond	500,000	500,000
Rental deposit bonds	453,394	470,752
IPO transaction costs	-	204,066
Other	31,410	11,930
	1,128,782	**1,263,137**

IPO transaction costs include those costs capitalised with respect to the IPO. Following completion of the IPO on 1 October 2015, these costs were offset against IPO proceeds in contributed capital.

Note 10. Non-current assets – intangibles

	Consolidated	
	31 December 2015 $	30 June 2015 $
Business combinations – goodwill	2,589,072	2,589,072
Other intangible assets	4,722,449	4,065,706
	7,311,521	**6,654,778**

Goodwill is derived from the acquisition of SuperBPO Pty Ltd (formerly Group Benefits Pty Ltd). Other intangible assets are derived from the purchase of customer relationships and contracts by SuperBPO Pty Ltd and from Perpetual Limited, HFO Limited, Alter Domus and a transaction with an Australian based fund administrator. FundBPO (HK) Ltd was established in July 2014 following the acquisition of customer relationships and contracts from HFO Limited.

A transaction with an Australian based fund administrator was completed in January 2015 and was completed on a deferred consideration basis ($1,750,000 outstanding at 30 June 2015) with contractual amounts payable on various dates between 23 January 2015 and 30 June 2018. In the half year ended 31 December 2015, a deed of amendment was entered into with the Australian based fund administrator which reduced the overall purchase price by $750,000 and the remainder of the deferred consideration was subsequently paid in full.

On 28 August 2015, the Company entered into an Asset Sale Agreement with Alter Domus, an international provider of fund administration services to hedge funds, to acquire intangible assets in the form of customer contracts, to further increase its expansion in Asia. The purchase price was based on the historical and projected annual revenues derived from transitioning clients. The transaction was completed on 31 December 2015 for a final purchase price of $1.4 million (USD $1.0 million).

The Group performs its annual impairment test for intangible assets with indefinite useful lives and for Goodwill on an annual basis as at 30 June of each respective financial year. No impairment was recorded at 30 June 2015 or 2014. Management did not identify any indicators of impairment during the half year ended 31 December 2015.

Notes to the financial statements continued

Note 11. Shareholder loans

	Consolidated 31 December 2015 $	30 June 2015 $
Shareholder loans – current	-	1,230,000
Shareholder loans – non-current	-	192,533
	-	**1,422,533**

The Group had historically been funded with shareholder loans. Interest was payable monthly in arrears on shareholder loans on an arm's length basis. All shareholder loans were repaid with IPO proceeds.

Note 12. Interest bearing liabilities

	Consolidated 31 December 2015 $	30 June 2015 $
Interest bearing liabilities – related party	-	**1,250,000**

The interest bearing liabilities were in place since the 17 October 2011 and were previously secured by way of a fixed floating charge over the assets of MainstreamBPO. Interest was payable monthly in arrears on the above interest bearing liabilities on an arm's length basis. Interest bearing liabilities were repaid with IPO proceeds.

Note 13. Other non-current liabilities

	Consolidated 31 December 2015 $	30 June 2015 $
ASX settlement bond	-	**500,000**

The above represents a Settlement Bond to ASX Settlement Pty Ltd for use of the ASX mFunds platform. At 30 June 2015, the guarantee was issued by the Commonwealth Bank of Australia to ASX Settlement Pty Ltd via a related party loan. In December 2015, using a portion of IPO Proceeds, the guarantee was transferred into the name of FundBPO Pty Ltd via a $500,000 bank guarantee issued by the National Australia Bank.

Note 14. Equity - contributed capital

	Consolidated		Consolidated	
	2015	2014	2015	2014
	Shares	Shares	$	$
Ordinary shares - fully paid	84,333,638	1,000	8,834,968	1,745,760

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. A reconciliation of the number of ordinary shares outstanding is shown in the table below:

	Shares
Ordinary shares outstanding at 30 June 2015	1,000
Share split	63,999,000
Share buy-back	(1,920,000)
Issuance of IPO shares	22,253,638
Ordinary shares outstanding at 31 December 2015	**84,333,638**

On 17 July 2015, shareholders approved the resolution to subdivide the entire issued share capital of the Company represented by 1,000 ordinary shares into 64,000,000 ordinary shares.

On 1 October 2015, MainstreamBPO Limited listed on the ASX raising capital of $8.9 million through the issuance of ordinary shares. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Note 15. Reserves

	Consolidated	
	31 December 2015	30 June 2015
	$	$
Revaluation reserve	416,703	416,703
Foreign currency translation reserve	(21,970)	(71,249)
Share-based payment reserve	(72,552)	-
	322,181	**345,454**

Revaluation reserve
The reserve is used to recognise increments and decrements in the fair value of software. There were no movements in this reserve during the half year ended 31 December 2015.

Foreign currency translation reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars.

Notes to the financial statements continued

Share-based payment reserve
The share-based payment reserve represents the cumulative expense recognised in relation to equity settled share-based payments less the cost of shares purchased and transferred to share-based payments recipients upon vesting.

Note 16. Contingent assets and contingent liabilities

The Group had contingent liabilities of approximately $99,575 as at 31 December 2015 (30 June 2015: $122,685). These contingent liabilities are related to future payments for the purchase of customer relationships and contracts from HFO Limited. These future payments are contingent upon the level of revenue to be received in future periods. The Group did not have any contingent assets as at 31 December 2015 or 30 June 2015.

Note 17. Events after the reporting period

On 4 February 2016, the Company announced that FundBPO Pte Ltd, a wholly owned subsidiary of MainstreamBPO Limited, purchased licences for PFS-PAXUS fund accounting and administration software supplied by Pacific Fund Systems Limited, for its Singapore and Hong Kong based fund services business, at a one off capital cost of approximately $400,000.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Group's operations, the results of those operations or the Group's state of affairs in future years.

Directors' declaration

In accordance with a resolution of the Directors of MainstreamBPO Limited, I state that:

In the opinion of the Directors:

a) the financial statements and notes of MainstreamBPO Limited for the half year ended 31 December 2015 are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the half year ended on that date; and
   ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

On behalf of the Board

B Johnston

Byram Johnston OAM
Director

Date: 12 February 2016
Sydney

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To the members of MainstreamBPO Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MainstreamBPO Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MainstreamBPO Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 attached to the Directors' Report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MainstreamBPO Limited is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

R Da Silva

Rita Da Silva
Partner
Sydney
12 February 2016

Corporate information

Directors
Byram Johnston - Chief Executive Officer, MainstreamBPO
Martin Smith - Chief Executive Officer, FundBPO
Michael Houlihan - Chief Executive Officer, SuperBPO
John Plummer - Non-Executive Director
Lucienne Layton - Non-executive Director

Company Secretary
Justin O'Donnell - Chief Financial Officer, MainstreamBPO

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Auditor
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Ernst & Young Centre
680 George Street
Sydney NSW 2000

Share Registry
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GPO Box 4968
Sydney NSW 2001

Securities Exchange Listing
Australian Securities Exchange
ASX code (ordinary shares): MAI

Website
www.mainstreambpo.com

Shareholder Information
Shareholder Information for MAI can be found in the MAI Shareholder Centre:
www.mainstreambpo.com/shareholdercentre